FILED
08 APR 16 PM 3:42
CLERK, U.S. DISTRICT COURT SOUTHERN DISTRICT OF CALIFORNIA
BY: DEPUTY

DALE A. AMATO, ESQ. (SBN 137965)
BERGER KAHN
A Law Corporation
10085 Carroll Canyon Road, Suite 210
San Diego, CA 92131-1027
Tel: (858) 547-0075 • Fax: (858) 547-0175

Attorneys for Defendant LIBERTY MUTUAL FIRE INSURANCE COMPANY

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF CALIFORNIA

ASIA AWAD, Plaintiff, v. LIBERTY MUTUAL FIRE INSURANCE COMPANY, RAAD KHALAF and DOES 1 – 30, inclusive, Defendants.	CASE NO. '08 CV 0696 JM AJB SDSC Case No. 37-2008-00062594-CU-IC-EC **DEFENDANT LIBERTY MUTUAL FIRE INSURANCE COMPANY'S PETITION FOR REMOVAL OF CIVIL ACTION TO FEDERAL COURT PURSUANT TO 28 U.S.C. § 1441(B)** Complaint Filed: 3/12/08

TO THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF CALIFORNIA:

PLEASE TAKE NOTICE that defendant LIBERTY MUTUAL FIRE INSURANCE COMPANY ("LMFIC"), hereby removes to this court, pursuant to 28 U.S.C. section 1441(b), the state court action described below.

1. On March 12, 2008, an action was commenced in the Superior Court of the State of California in the County of San Diego entitled, *Asia Awad v. Liberty Mutual Fire Insurance Company, et. al.,* San Diego Superior Court, Case Number 37-2008-00062594-CU-IC-EC. The Summons and Complaint was served upon LMFIC on March

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20, 2008. A true and correct copy of the Summons, Complaint and Proof of Service is attached as Exhibit 1.

2. On April 15, 2008, LMFIC filed its Answer to the Complaint. A true and correct copy of LMFIC's Answer is attached as Exhibit 2. Thus, this removal is timely pursuant to 28 U.S.C. 1446(c), as thirty days has not elapsed from the date upon which LMFIC was served with the Summons and Complaint on March 20, 2008. (*See*, *Murphy Bros. v. Michael Pipe Stringing, Inc.*, 526 U.S. 344 (1999) [the thirty day removal period does not being to run until a defendant is formally served with the complaint.].)

3. This action is a civil action of which this court has original jurisdiction under 28 U.S.C. section 1332, and is one which may be removed to this court by LMFIC pursuant to the provisions of 28 U.S.C. section 1441(b), in that it is a civil action between citizens of different states and the matter in controversy exceeds the sum of $75,000, exclusive of interest and costs.

4. Plaintiff's Complaint asserts claims against LMFIC for Breach of Contract and Breach of the Implied Covenant of Good Faith and Fair Dealing. Plaintiff alleges that LMFIC issued to her a dwelling fire insurance policy that was in force and effect on November 13, 2006, when a burglary occurred at her residence where $159,300 in scheduled jewelry was taken. (Complaint, ¶¶ 1-6, *see*, *also*, Exhibit "A" to Complaint, declarations page listing $159,300 scheduled jewelry amount.) Plaintiff contends that LMFIC breached the contract of insurance by failing to pay on the claim. (Complaint, ¶¶ 11-14.) Plaintiff also contends that the alleged improper investigation and adjustment of the claim constituted a breach of the implied covenant of good faith and fair dealing. (Complaint, ¶¶ 1-10.) Thus, it is clear that the Plaintiff's allegations, and specifically, the $159,300 claim for damages, meet the jurisdictional amount in controversy of $75,000.

In addition to seeking contract damages and interest, the Plaintiff is also seeking attorney's fees and punitive damages in this action. (Complaint, Prayer ¶ 3.) "It is well-established that punitive damages are part of the amount in controversy in a civil action [citation]." (*Gibson v. Chrysler Corp.*, 261 F.3d 927, 945 (9th Cir. 2001).) Likewise,

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attorney's fees are included in the amount in controversy. (*See*, *Goldberg v. CPC International, Inc.*, 678 F.2d 1365, 1367 (9th Cir. 1982).)

Accordingly, the amount in controversy, based solely on the Plaintiff's breach of contract claim, is well beyond the statutory requirement of $75,000. This is particularly evident in light of Plaintiff's allegations that she is entitled to further policy benefits and consequential damages. Moreover, the Plaintiff is also seeking extra-contractual damages for attorney's fees and punitive damages. Thus, it is facially apparent by the allegations contained in Plaintiff's Complaint that Plaintiff's claims against LMFIC exceed $75,000.

5. LMFIC is informed and believes that the Plaintiff was, at the time of filing this action, and still is, a citizen of the State of California.

6. LMFIC was, at the time the complaint was filed, as still is, incorporated under the laws of the State of Wisconsin. LMFIC's principal place of business is located in Boston, Massachusetts.

7. Plaintiff has improperly named as a defendant LMFIC's agent, RAAD KHALAF. While the complaint does not alleges KHALIF's citizenship, LMFIC is informed and believes and thereon alleges that KHALIF was, at the time the complaint was filed, as still is a citizen of the State of California for diversity purposes. However, KHALAF was not a contracting party to the relevant insurance policy. In addition, Plaintiff's negligence claim against KHALAF is untenable as a matter of law. Thus, LMFIC has filed contemporaneously with this Petition for Removal, a Motion to Drop KHALAF from this action, pursuant to F.R.C.P. Rule 21, as he is a sham defendant intended to defeat this court's jurisdiction. Therefore, for purposes of determining diversity of citizenship, KHALAF should be disregarded.

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WHEREFORE, LMFIC prays that this action be removed from the San Diego County Superior Court to the United States District Court for the Southern District of California.

DATED: April 16, 2008

BERGER KAHN
A Law Corporation

By: ______________________
DALE A. AMATO
Attorneys for LIBERTY MUTUAL FIRE INSURANCE COMPANY

BERGER KAHN
A Law Corporation
10085 Carroll Canyon Road, Suite 210
San Diego, CA 92131

Legal Tabs Co. 1-800-322-3022 Recycled Stock # R-EX-10-B

CSC®

CORPORATION SERVICE COMPANY®

Notice of Service of Process

MYT / ALL
Transmittal Number: 5669553
Date Processed: 03/20/2008

Primary Contact:	Marie Gonzalez Liberty Mutual Insurance Company 175 Berkeley Street Boston, MA 02117

Entity:	Liberty Mutual Fire Insurance Company Entity ID Number 2542855
Entity Served:	Liberty Mutual Fire Insurance Company
Title of Action:	Asia Awad vs. Liberty Mutual Fire Insurance Company
Document(s) Type:	Summons/Complaint
Nature of Action:	Contract
Court:	San Diego Superior Court, California
Case Number:	37-2008-00062594-CU-IC-ED
Jurisdiction Served:	California
Date Served on CSC:	03/20/2008
Answer or Appearance Due:	30 Days
Originally Served On:	CSC
How Served:	Personal Service
Sender Information:	Harris I. Steinberg 619-231-9449

Information contained on this transmittal form is for record keeping, notification and forwarding the attached document(s). It does not constitute a legal opinion. The recipient is responsible for interpreting the documents and taking appropriate action.

To avoid potential delay, please do not send your response to CSC

CSC is SAS70 Type II certified for its Litigation Management System.

2711 Centerville Road Wilmington, DE 19808 (888) 690-2882 | sop@cscinfo.com

EXHIBIT 1

SUMMONS
(CITACION JUDICIAL)

SUM-100

FOR COURT USE ONLY
(SOLO PARA USO DE LA CORTE)

08 MAR 12 AM 9:49
CLERK-SUPERIOR COURT
SAN DIEGO COUNTY, CA

NOTICE TO DEFENDANT:
(AVISO AL DEMANDADO):
LIBERTY MUTUAL FIRE INSURANCE COMPANY, RAAD KHALAF and DOES 1 - 30, Inclusive

YOU ARE BEING SUED BY PLAINTIFF:
(LO ESTÁ DEMANDANDO EL DEMANDANTE):
ASIA AWAD

You have 30 CALENDAR DAYS after this summons and legal papers are served on you to file a written response at this court and have a copy served on the plaintiff. A letter or phone call will not protect you. Your written response must be in proper legal form if you want the court to hear your case. There may be a court form that you can use for your response. You can find these court forms and more information at the California Courts Online Self-Help Center (www.courtinfo.ca.gov/selfhelp), your county law library, or the courthouse nearest you. If you cannot pay the filing fee, ask the court clerk for a fee waiver form. If you do not file your response on time, you may lose the case by default, and your wages, money, and property may be taken without further warning from the court.

There are other legal requirements. You may want to call an attorney right away. If you do not know an attorney, you may want to call an attorney referral service. If you cannot afford an attorney, you may be eligible for free legal services from a nonprofit legal services program. You can locate these nonprofit groups at the California Legal Services Web site (www.lawhelpcalifornia.org), the California Courts Online Self-Help Center (www.courtinfo.ca.gov/selfhelp), or by contacting your local court or county bar association.

Tiene 30 DÍAS DE CALENDARIO después de que le entreguen esta citación y papeles legales para presentar una respuesta por escrito en esta corte y hacer que se entregue una copia al demandante. Una carta o una llamada telefónica no lo protegen. Su respuesta por escrito tiene que estar en formato legal correcto si desea que procesen su caso en la corte. Es posible que haya un formulario que usted pueda usar para su respuesta. Puede encontrar estos formularios de la corte y más información en el Centro de Ayuda de las Cortes de California (www.courtinfo.ca.gov/selfhelp/espanol/), en la biblioteca de leyes de su condado o en la corte que le quede más cerca. Si no puede pagar la cuota de presentación, pida al secretario de la corte que le dé un formulario de exención de pago de cuotas. Si no presenta su respuesta a tiempo, puede perder el caso por incumplimiento y la corte le podrá quitar su sueldo, dinero y bienes sin más advertencia.

Hay otros requisitos legales. Es recomendable que llame a un abogado inmediatamente. Si no conoce a un abogado, puede llamar a un servicio de remisión a abogados. Si no puede pagar a un abogado, es posible que cumpla con los requisitos para obtener servicios legales gratuitos de un programa de servicios legales sin fines de lucro. Puede encontrar estos grupos sin fines de lucro en el sitio web de California Legal Services, (www.lawhelpcalifornia.org), en el Centro de Ayuda de las Cortes de California, (www.courtinfo.ca.gov/selfhelp/espanol/) o poniéndose en contacto con la corte o el colegio de abogados locales.

The name and address of the court is:
(El nombre y dirección de la corte es):
San Diego County Superior Court
250 East Main Street
El Cajon, CA 92020
East County Branch

CASE NUMBER: *(Número del Caso):* 37-2008-00062594-CU-IC-EC

The name, address, and telephone number of plaintiff's attorney, or plaintiff without an attorney, is:
(El nombre, la dirección y el número de teléfono del abogado del demandante, o del demandante que no tiene abogado, es):
Harris I. Steinberg, Esq. 619-231-9449
LEVINE, STEINBERG, MILLER & HUVER
550 West C Street, Suite 1810
San Diego, CA 92101

DATE: *(Fecha)* MAR 12 2008 Clerk, by *(Secretario)* T. DETTLOFF, Deputy *(Adjunto)*

(For proof of service of this summons, use Proof of Service of Summons *(form POS-010).)*
(Para prueba de entrega de esta citatión use el formulario Proof of Service of Summons, *(POS-010)).*

[SEAL]

NOTICE TO THE PERSON SERVED: You are served
1. ☐ as an individual defendant.
2. ☐ as the person sued under the fictitious name of *(specify):*
3. ☒ on behalf of *(specify):* Liberty Mutual Fire Insurance Company

under:
☐ CCP 416.10 (corporation)
☐ CCP 416.20 (defunct corporation)
☐ CCP 416.40 (association or partnership)
☐ other *(specify):*
☐ CCP 416.60 (minor)
☐ CCP 416.70 (conservatee)
☐ CCP 416.90 (authorized person)

4. ☐ by personal delivery on *(date):*

HARRIS I. STEINBERG (Bar No. 89288)
LEVINE, STEINBERG, MILLER & HUVER
550 W. "C" Street, Suite 1810
San Diego, California 92101
Phone:(619) 231-9449
Fax: (619)231-8638

Attorneys for Plaintiff

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF SAN DIEGO, EAST COUNTY DIVISION

ASIA AWAD, Plaintiff, v. LIBERTY MUTUAL FIRE INSURANCE COMPANY, RAAD KHALAF, and DOES 1 - 30, Inclusive Defendant.	CASE NO. 37-2008-00062594-CU-IC-EC (Unlimited Civil) COMPLAINT FOR TORTIOUS BREACH OF INSURANCE CONTRACT AND DEMAND FOR JURY TRIAL (Compensatory and Punitive Damages) 1. Breach of Duty of Fair Dealing and Good Faith 2. Breach of Contract 3. Negligence

Plaintiff certifies that San Diego County is the proper venue for filing this lawsuit as the defendant insurance company does business in its jurisdictional area.

PLAINTIFF, ASIA AWARD, FOR A FIRST CAUSE OF ACTION AGAINST DEFENDANT LIBERTY MUTUAL FIRE INSURANCE COMPANY, ONLY, FOR BREACH OF THE DUTY OF GOOD FAITH AND FAIR DEALING, ALLEGES:

1. That the true names or capacities, whether individual, corporate, associate, or otherwise, of defendants Does 1 through 10, inclusive, are unknown to plaintiff, who therefore sues said defendants by such fictitious names. Plaintiff is informed and believes and therefore alleges that each of the defendants designated herein as Doe is legally responsible in some manner

for the events and happenings herein referred to, and legally caused injury and damages proximately thereby to plaintiff as herein alleged. Plaintiff is informed and believes and thereon alleges that Does 1 through 10 are residents and citizens of the State of California, and made representations and promises to plaintiff during the sale of the homeowner's policy which is the subject matter of this action. Plaintiff is informed and believes and thereon alleges that Does 16 through 30 are residents and citizens of the State of California and participated in processing plaintiff's claim for benefits under the homeowner's policy which is the subject matter of this action.

2. That at all times herein mentioned, defendants, and each of them, were the agents and employees of each of the remaining defendants, and were at all times acting within the purpose and scope of said agency and employment, and each defendant has ratified and approved the acts of his agent.

3. On or about November 14, 2005, defendant LIBERTY MUTUAL FIRE INSURANCE CO., issued a homeowner's policy number H32 268 079260-4072 to plaintiff. A copy of said homeowner's policy is marked as Exhibit "A", attached hereto, and incorporated herein by reference. Said homeowner's policy was entered into by plaintiff within the jurisdiction of the above-entitled court and required the payment of benefits within the jurisdiction of the above-entitled court for a total amount to be shown at the time of trial.

4. Plaintiff has paid all premiums due under said homeowner's policy to defendant LIBERTY MUTUAL FIRE INSURANCE CO., at all relevant times herein and has performed all obligations under said homeowner's policy on plaintiff's part to be performed.

5. On or about November 12, 2006, plaintiff suffered a loss compensable under the terms of said homeowner's policy in that plaintiff sustained a burglary of her insured residence and a quantity of jewelry that was insured and scheduled on defendant's policy was stolen and not recovered.

6. On or about November 13, 2006, plaintiff filed a claim for stolen property under said homeowner's policy due to the theft of the jewelry that was listed and scheduled on defendant's policy.

7. Defendant LIBERTY MUTUAL FIRE INSURANCE CO., has breached its duty of good faith and fair dealing owed to plaintiff in the following respects:

(A) Failure to make property loss payments to plaintiff at a time when defendant knew that plaintiff was entitled to said payments under the terms of said policy in that defendant required plaintiff to schedule/itemize this jewelry on the policy and provide defendant with an appraisal before defendant would agree to insure these items. When the loss occurred, defendant falsely claimed that plaintiff didn't have these items when she purchased this jewelry coverage, even though plaintiff provided defendant with an appraisal documenting their value and existence.

(B) Withholding payments from plaintiff knowing plaintiff's claim for benefits under said homeowner's policy to be valid in that defendant denied payment claiming that defendant's agent allegedly reported to defendant that plaintiff didn't have the items when she purchased this insurance.

(C) Failure to pay plaintiff property loss benefits pursuant to said claim at a time when defendants had insufficient information within their possession to justify said action.

(D) Misrepresenting to plaintiff pertinent facts in relation to the homeowner's coverage in issue in that defendant falsely indicated that plaintiff had not suffered a loss and that the insured's jewelry was stolen before it was insured, when in fact it was stolen.

(E) Not attempting in good faith to effectuate a prompt, fair and equitable settlement of plaintiff's claim for stolen property in which liability has become reasonably clear.

(F) Plaintiff is informed and believes and thereon alleges that defendant LIBERTY MUTUAL FIRE INSURANCE CO., has breached its duty of fair dealing and good faith owed to plaintiff by other acts or omissions of which plaintiff is presently unaware. Plaintiff will seek leave of court to amend this complaint at such time as plaintiff discovers the other acts or omissions of said defendant constituting such breach.

8. As a proximate result of the aforementioned wrongful conduct of defendants, plaintiff has suffered, and will continue to suffer in the future, damages under said homeowner's policy, plus interest for a total amount to be shown at the time of trial.

9. As a further proximate result of the aforementioned wrongful conduct of defendants, plaintiff has suffered anxiety, worry, mental and emotional distress, and other incidental damages and out of pocket expenses, including attorney fees, all to plaintiff's damage in a sum to be determined at time of trial, but in any event a sum in excess of the jurisdictional requirements of the above-entitled court.

10. Defendants' despicable conduct described herein was done with a conscious disregard of plaintiff's rights and with the intent to vex, injure or annoy plaintiff, such as to constitute oppression, fraud or malice under California Civil Code Section 3294, entitling plaintiff to punitive damages in an amount appropriate to punish or set an example of defendants.

PLAINTIFF, ASIA AWARD, FOR A SECOND CAUSE OF ACTION AGAINST DEFENDANT LIBERTY MUTUAL FIRE INSURANCE CO., AND DOES 1 THROUGH 30, INCLUSIVE, IN BREACH OF CONTRACT, ALLEGES:

11. Plaintiff refers to paragraphs 1 through 8, inclusive, of the First Cause of Action, and incorporates those paragraphs as though set forth in full in this cause of action.

12. At all times herein relevant plaintiff performed all acts, conditions and obligations required under the policy.

13. Defendant has failed to pay the policy benefits due and owing under the terms of the policy and as such, it has breached the terms of the subject contract with plaintiff.

14. As a proximate result of defendant's failure and refusal to pay plaintiff's claim, plaintiff sustained damages under the terms of said policy plus interest, in an amount to be shown at the time of trial, and other incidental out of pocket costs according to proof as herein alleged.

PLAINTIFF, ASIA AWAD, FOR A THIRD CAUSE OF ACTION AGAINST DEFENDANT, RAAD KHALAF, AND DOES 1 THROUGH 30, INCLUSIVE, IN NEGLIGENCE, ALLEGES:

15. Plaintiff refers to paragraphs 1 through 10, inclusive, of the First Cause of Action, and incorporates those paragraphs as though set forth in full in this cause of action.

16. On or about November 14, 2005 defendant RAAD KHALAF agreed to represent and assist plaintiff with her insurance needs and coverages and act as her agent in obtaining and

applying for insurance coverages. In agreeing to act as plaintiff's agent, RAAD KHALAF assumed and took on the role of a fiduciary agreeing to fully and faithfully act on plaintiff's behalf and in her best interests. Defendant encouraged plaintiff to rely upon him for advice and assistance in obtaining insurance.

17. In reliance upon defendant's status as her agent, plaintiff requested additional insurance protection for a substantial amount of jewelry plaintiff kept in her home. Plaintiff sought advice from defendant KHALAF in 2006 as to how to obtain the requested jewelry protection. Defendant advised and represented to plaintiff that she needed to add this protection by way of a rider scheduling her jewelry by way of an endorsement to the LIBERTY MUTUAL FIRE INSURANCE CO., homeowner's policy. In reliance on defendant's advice, plaintiff ordered the additional protection from defendant and provided defendant with all of the papers he requested for this coverage.

18. Unbeknown to plaintiff at the same time she was applying for this coverage through defendant KHALAF, and providing him with a full appraisal identifying each of the jewelry pieces, he was having secret conversations about plaintiff and her jewelry with underwriters at LIBERTY MUTUAL FIRE INSURANCE CO. KHALAF made representations against plaintiff's interests to LIBERTY MUTUAL FIRE INSURANCE CO., that plaintiff didn't have any of the jewelry she was insuring and that the jewelry was stolen at some earlier date. Defendant KHALAF did not advise plaintiff of these secret conversations with LIBERTY MUTUAL FIRE INSURANCE CO., nor did he advise plaintiff that he had any concerns about plaintiff or her jewelry, nor did he inform her that she should provide proof that she had this jewelry or that she should get another agent to represent her interests. Further dispute agreeing to help plaintiff and represent her interests he never asked plaintiff to bring in the jewelry for him to resolve any concerns, nor provide him a photograph proving the existence of the jewelry. Defendant simply asked plaintiff to pay for the requested insurance endorsement.

19. After plaintiff reported the loss of her jewelry on November 12, 2006, LIBERTY MUTUAL FIRE INSURANCE CO., denied her claim based on defendant KHALAF's representations made behind plaintiff's back at the time of the application.

20. Defendant KHALAF in failing to advise, counsel and protect plaintiff's interests breached his fiduciary duties to plaintiff by virtue of his negligent conduct which caused LIBERTY MUTUAL FIRE INSURANCE CO., to deny plaintiff's claim, contending that plaintiff's own agent KHALAF reported to them that plaintiff never had the jewelry in her possession when she insured it and that plaintiff's loss was bogus. Defendant's conduct was careless, reckless, negligent and in violation of his obligation to assist and protect plaintiff's interests.

21. As a proximate result of defendant's conduct, plaintiff has sustained losses and damages including the denial of her claim, attorney's fees and court costs as well as emotional distress.

WHEREFORE, plaintiff prays for judgment against defendants, and each of them as follows:

1. Damages for failure to provide benefits under the policy in a sum to be determined at the time of trial;

2. General damages for mental and emotional distress and other incidental damages in a sum to be determined at the time of trial;

3. Punitive and exemplary damages in an amount appropriate to punish or set as example of defendant, LIBERTY MUTUAL FIRE INSURANCE CO.;

4. Prejudgment interest on all damages awarded to plaintiff in an amount to be determined in accordance with California Civil Code §3291;

5. For costs of suit incurred herein; and,

6. For such other and further relief as the Court deems just and proper.

DATED: March 11, 2008

LEVINE, STEINBERG, MILLER & HUVER

By: ____________________
HARRIS I. STEINBERG
Attorneys for Plaintiff

77RENEWAL A

LIBERTYGUARD DELUXE HOMEOWNERS POLICY DECLARATIONS
LIBERTY MUTUAL FIRE INSURANCE COMPANY
BOSTON, MASSACHUSETTS

POLICY NUMBER
H32-268-079260-406 2 THESE DECLARATIONS EFFECTIVE 11/14/06 CLIENT# 000000000110591

NAMED INSURED AND MAILING ADDRESS
ASIA AWAD
835 MURRAY DR
EL CAJON CA 92020-5641

RESIDENCE PREMISES INSURED:
SAME AS MAIL ADDRESS

POLICY PERIOD: 11/14/06 TO 11/14/07
12:01AM STANDARD TIME AT THE
RESIDENCE PREMISES
AGENT:
RAAD KHALAF
(619) 441-7775

FOR SERVICE CALL OR WRITE:
PO BOX 52102
PHOENIX AZ 85072

SERVICE: 800-869-4009
CLAIMS: 800-225-2467

SECTION I AND II: COVERAGES AND LIMITS UNDER YOUR LIBERTYGUARD HOMEOWNERS POLICY

I: COVERAGE A -	YOUR DWELLING WITH REPLACEMENT COST	$717,000
COVERAGE B -	OTHER STRUCTURES ON RESIDENCE PREMISES	$71,700
COVERAGE C -	PERSONAL PROPERTY WITH REPLACEMENT COST	$537,750
COVERAGE D -	LOSS OF USE OF YOUR RESIDENCE PREMISES	ACTUAL LOSS SUSTAINED
II: COVERAGE E -	PERSONAL LIABILITY (EACH OCCURRENCE)	$300,000
COVERAGE F -	MEDICAL PAYMENTS TO OTHERS (EACH PERSON)	$1,000

DEDUCTIBLE: LOSSES COVERED UNDER SECTION I ARE SUBJECT TO A DEDUCTIBLE OF $1000

PREMIUM SUMMARY: FORMS AND ENDORSEMENTS SHOWN ARE MADE PART OF YOUR POLICY

HO 00 03 04 91	BASE COST FOR THE COVERAGES AND LIMITS SHOWN ABOVE		$ 2635
HO 04 53 04 91	CREDIT CARD, FUND TRANSFER CARD, FORGERY AND COUNTERFEIT MONEY	$1,000	$ 0
HO 04 61 04 91	SCHEDULED PERSONAL PROPERTY ENDORSEMENT* $159,300 JEWELRY ($2116)		$2116
HO 24 90 01 93	WORKERS COMPENSATION COVERAGE		$ 3
FMHO-2147 R2	EXPANDED HOMEPROTECTOR PLUS ENDORSEMENT		$ 260

SECTION II COVERAGES EXTENDED:

COVERAGE E INCREASED LIMIT	$ 26
PREFERRED RISK RATING PLAN DISCOUNTS: 9.0%	
6.0% INSURANCE TO VALUE CREDIT	-$ 156
3.0% INFLATION PROTECTION CREDIT	-$ 78
PROTECTIVE DEVICE CREDITS: 17.0%	-$ 442
SMOKE DETECTOR SPRINKLER CREDIT	
CENTRAL STATION BURGLAR ALARM	
MULTIPLE POLICY DISCOUNT 7.5%	-$ 195
SAFE HOMEOWNER PROGRAM	-$ 390

NET PREMIUM $ 3779

(INCLUDES CORPORATE/PROFESSIONAL OCCUPATION DISCOUNT)
(INCLUDES GROUP SAVINGS PLUS® DISCOUNT)

FMHO 775 R3

COUNTERSIGNED 09/25/06

SECRETARY PRESIDENT

AUTHORIZED REPRESENTATIVE

EXHIBIT A

77RENEWAL A

LIBERTYGUARD DELUXE HOMEOWNERS POLICY DECLARATIONS
LIBERTY MUTUAL FIRE INSURANCE COMPANY
BOSTON, MASSACHUSETTS

PAGE 02

POLICY NUMBER
H32-268-079260-406 2 THESE DECLARATIONS EFFECTIVE 11/14/06 CLIENT# 000000000110591

NAMED INSURED AND MAILING ADDRESS
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RAAD KHALAF
(619) 441-7775

FOR SERVICE CALL OR WRITE:
PO BOX 52102
PHOENIX AZ 85072

SERVICE: 800-869-4009
CLAIMS: 800-225-2467

(CONTINUED FROM PREVIOUS PAGE)

OTHER ENDORSEMENTS MADE PART OF YOUR POLICY:

FMHO-2882 R1	SPECIAL PROVISIONS - CA	HO 04 16 04 91	PROTECTIVE DEVICES
HO 04 96 04 91	NO SECII/LIMIT I-DAYCARE	FMHO-2145 R1	LEAD POISONING EXCLUSION
FMHO-2180 R3	EARTHQUAKE COV EXCLUSION	2344	LMHC MEMBERSHIP
HO 04 01 06 93	AMENDATORY ENDORSEMENT	FMHO-2202 R1	AMENDATORY MOLD END
FMHO-2510 5/03	AMENDATORY ENDORSEMENT	FMHO-2934 7/04	AMENDMT POL DEFINITIONS
FMHO-4152 R2	CA RES PROP DISCLOSURE	FMHO-2942	CA PROP BILL OF RIGHTS
FMHO-2936 9/04	INFLATION PROTECTION		

* ALL PERSONAL PROPERTY SCHEDULES ARE ON FILE WITH THE COMPANY. COPIES OF SCHEDULES HAVE BEEN INCLUDED WITH THIS MAILING ONLY IF THERE HAS BEEN AN ADDITION OR CHANGE TO THE PROPERTY LISTED ON THE SCHEDULES.

SPECIAL STATE PROVISIONS:

THIS POLICY CONTAINS A MAXIMUM LIMIT FOR COVERAGE A - DWELLING. COVERAGE IS LIMITED TO AN AMOUNT NOT EXCEEDING 35% GREATER THAN THE COVERAGE A LIMIT OF LIABILITY SHOWN ABOVE. REFER TO ENDORSEMENT FMHO-2147R1 FOR COMPLETE COVERAGE INFORMATION.

THIS POLICY DOES NOT CONTAIN EARTHQUAKE COVERAGE. FOR AN ADDITIONAL PREMIUM OF $430 YOU MAY PURCHASE EARTHQUAKE COVERAGE FROM THE CALIFORNIA EARTHQUAKE AUTHORITY FOR YOUR DWELLING IN THE AMOUNT OF $717,000 WITH A 15% DEDUCTIBLE. THIS PREMIUM INCLUDES PERSONAL PROPERTY COVERAGE IN THE AMOUNT OF $5,000 AND LOSS OF USE COVERAGE IN THE AMOUNT OF $1,500. SEE THE ENCLOSED NOTICE FMHO-2180 FOR DETAILS. THIS QUOTE ASSUMES THE INSURED LOCATION IS A MULTI STORY HOME. IF THE INSURED LOCATION IS NOT MULTIPLE STORIES PLEASE CONTACT YOUR REPRESENTATIVE FOR A QUOTE.

FOR DAMAGE BY A PERIL INSURED AGAINST TO A COVERED DWELLING OR OTHER STRUCTURE THIS POLICY PROVIDES UP TO 10% OF THE COVERAGE A LIMIT OF LIABILITY FOR INCREASED COSTS DUE TO ENFORCEMENT OF BUILDING LAWS.

THE LIMIT OF LIABILITY FOR THIS STRUCTURE (COVERAGE A) IS BASED ON AN ESTIMATE OF THE COST TO REBUILD YOUR HOME, INCLUDING AN APPROXIMATE COST FOR LABOR AND MATERIALS IN YOUR AREA, AND SPECIFIC INFORMATION THAT YOU HAVE PROVIDED ABOUT YOUR HOME.

FMHO 775 R3

COUNTERSIGNED 09/25/06

Dexter R. Legg
SECRETARY

Edmund F. Kelly
PRESIDENT

AUTHORIZED REPRESENTATIVE

Liberty Mutual.

LibertyGuard

Deluxe Homeowners Policy

Please read your policy and each endorsement carefully.

To serve you best...

Liberty Mutual has over 350 service offices throughout the United States and Canada. Please contact your service office shown on your Declarations Page to report losses, or for any changes or questions about your insurance. Payments should be sent to the office indicated on your bill.

THIS POLICY IS NON ASSESSABLE

LIBERTYGUARD DELUXE HOMEOWNERS POLICY

HO 00 03 EDITION 04 91

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*These conditions apply only if Liberty Mutual Fire Insurance Company is shown in the Declarations as the insurer.

AGREEMENT

We will provide the insurance described in this policy in return for the premium and compliance with all applicable provisions of this policy.

DEFINITIONS

In this policy, "you" and "your" refer to the "named insured" shown in the Declarations and the spouse if a resident of the same household. "We," "us" and "our" refer to the Company providing this insurance. In addition, certain words and phrases are defined as follows:

1. "Bodily injury" means bodily harm, sickness or disease, including required care, loss of services and death that results.
2. "Business" includes trade, profession or occupation.
3. "Insured" means you and residents of your household who are:
   a. Your relatives; or
   b. Other persons under the age of 21 and in the care of any person named above.

   Under Section II, "insured" also means:

   c. With respect to animals or watercraft to which this policy applies, any person or organization legally responsible for these animals or watercraft which are owned by you or any person included in 3.a. or 3.b. above. A person or organization using or having custody of these animals or watercraft in the course of any "business" or without consent of the owner is not an "insured";
   d. With respect to any vehicle to which this policy applies:
      (1) Persons while engaged in your employ or that of any person included in 3.a. or 3.b. above; or
      (2) Other persons using the vehicle on an "insured location" with your consent.
4. "Insured location" means:
   a. The "residence premises";
   b. The part of other premises, other structures and grounds used by you as a residence and:
      (1) Which is shown in the Declarations; or
      (2) Which is acquired by you during the policy period for your use as a residence;
   c. Any premises used by you in connection with a premises in 4.a. and 4.b. above;
   d. Any part of a premises:
      (1) Not owned by an "insured"; and
      (2) Where an "insured" is temporarily residing;
   e. Vacant land, other than farm land, owned by or rented to an "insured";
   f. Land owned by or rented to an "insured" on which a one or two family dwelling is being built as a residence for an "insured";
   g. Individual or family cemetery plots or burial vaults of an "insured"; or
   h. Any part of a premises occasionally rented to an "insured" for other than "business" use.
5. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions, which results, during the policy period, in:
   a. "Bodily injury"; or
   b. "Property damage."
6. "Property damage" means physical injury to, destruction of, or loss of use of tangible property.
7. "Residence employee" means:
   a. An employee of an "insured" whose duties are related to the maintenance or use of the "residence premises," including household or domestic services; or
   b. One who performs similar duties elsewhere not related to the "business" of an "insured."
8. "Residence premises" means:
   a. The one family dwelling, other structures, and grounds; or
   b. That part of any other building;

   where you reside and which is shown as the "residence premises" in the Declarations.

   "Residence premises" also means a two family dwelling where you reside in at least one of the family units and which is shown as the "residence premises" in the Declarations.

SECTION I - PROPERTY COVERAGES

COVERAGE A - Dwelling

We cover:

1. The dwelling on the "residence premises" shown in the Declarations, including structures attached to the dwelling; and
2. Materials and supplies located on or next to the "residence premises" used to construct, alter or repair the dwelling or other structures on the "residence premises."

This coverage does not apply to land, including land on which the dwelling is located.

COVERAGE B - Other Structure

We cover other structures on the "residence premises" set apart from the dwelling by clear space. This includes structures connected to the dwelling by only a fence, utility line, or similar connection.

This coverage does not apply to land, including land on which the other structures are located.

We do not cover other structures:

1. Used in whole or in part for "business"; or
2. Rented or held for rental to any person not a tenant of the dwelling, unless used solely as a private garage.

The limit of liability for this coverage will not be more than 10% of the limit of liability that applies to Coverage A. Use of this coverage does not reduce the Coverage A limit of liability.

COVERAGE C - Personal Property

We cover personal property owned or used by an "insured" while it is anywhere in the world. At your request, we will cover personal property owned by:

1. Others while the property is on the part of the "residence premises" occupied by an "insured";
2. A guest or a "residence employee," while the property is in any residence occupied by an "insured."

Our limit of liability for personal property usually located at an "insured's" residence, other than the "residence premises," is 10% of the limit of liability for Coverage C, or $1000, whichever is greater. Personal property in a newly acquired principal residence is not subject to this limitation for the 30 days from the time you begin to move the property there.

Special Limits of Liability. These limits do not increase the Coverage C limit of liability. The special limit for each numbered category below is the total limit for each loss for all property in that category.

1. $200 on money, bank notes, bullion, gold other than goldware, silver other than silverware, platinum, coins and medals.
2. $1000 on securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, personal records, passports, tickets and stamps. This dollar limit applies to these categories regardless of the medium (such as paper or computer software) on which the material exists.

   This limit includes the cost to research, replace or restore the information from the lost or damaged material.
3. $1000 on watercraft, including their trailers, furnishings, equipment and outboard engines or motors.
4. $1000 on trailers not used with watercraft.
5. $1000 for lo. by theft of jewelry, watches, furs, precious and semi-precious stones.
6. $2000 for loss by theft of firearms.
7. $2500 for loss by theft of silverware, silver-plated ware, goldware, gold-plated ware and pewterware. This includes flatware, hollow-ware, tea sets, trays and trophies made of or including silver, gold or pewter.
8. $2500 on property, on the "residence premises," used at any time or in any manner for any "business" purpose.
9. $250 on property, away from the "residence premises," used at any time or in any manner for any "business" purpose. However, this limit does not apply to loss to adaptable electronic apparatus as described in Special Limits 10. and 11. below.
10. $1000 for loss to electronic apparatus, while in or upon a motor vehicle or other motorized land conveyance, if the electronic apparatus is equipped to be operated by power from the electrical system of the vehicle or conveyance while retaining its capability of being operated by other sources of power. Electronic apparatus includes:

    a. Accessories or antennas; or

    b. Tapes, wires, records, discs or other media;

    for use with any electronic apparatus.
11. $1000 for loss to electronic apparatus, while not in or upon a motor vehicle or other motorized land conveyance, if the electronic apparatus:

    a. Is equipped to be operated by power from the electrical system of the vehicle or conveyance while retaining its capability of being operated by other sources of power;

    b. Is away from the "residence premises"; and

    c. Is used at any time or in any manner for any "business" purpose.

    Electronic apparatus includes:

    a. Accessories or antennas; or

    b. Tapes, wires, records, discs or other media;

    for use with any electronic apparatus.

Property Not Covered. We do not cover:

1. Articles separately described and specifically insured in this or other insurance;
2. Animals, birds or fish;
3. Motor vehicles or all other motorized land conveyances.

   This includes:

   a. Their equipment and accessories; or

   b. Electronic apparatus that is designed to be operated solely by use of the power from the electrical system of motor vehicles or all other motorized land conveyances. Electronic apparatus includes:

(1) Accessories or antennas; or

(2) Tapes, wires, records, discs or other media;

for use with any electronic apparatus.

The exclusion of property described in 3.a. and 3.b. above applies only while the property is in or upon the vehicle or conveyance.

We do cover vehicles or conveyances not subject to motor vehicle registration which are:

a. Used to service an "insured's" residence; or

b. Designed for assisting the handicapped;

4. Aircraft and parts. Aircraft means any contrivance used or designed for flight, except model or hobby aircraft not used or designed to carry people or cargo;

5. Property of roomers, boarders and other tenants, except property of roomers and boarders related to an "insured";

6. Property in an apartment regularly rented or held for rental to others by an "insured," except as provided in Additional Coverages 10.;

7. Property rented or held for rental to others off the "residence premises";

8. "Business" data, including such data stored in:

   a. Books of account, drawings or other paper records; or

   b. Electronic data processing tapes, wires, records, discs or other software media;

   However, we do cover the cost of blank recording or storage media, and of pre-recorded computer programs available on the retail market; or

9. Credit cards or fund transfer cards except as provided in Additional Coverages 6.

COVERAGE D - Loss Of Use

The limit of liability for Coverage D is the total limit for all the coverages that follow.

1. If a loss covered under this Section makes that part of the "residence premises" where you reside not fit to live in, we cover, at your choice, either of the following. However, if the "residence premises" is not your principal place of residence, we will not provide the option under paragraph b. below.

   a. **Additional Living Expense,** meaning any necessary increase in living expenses incurred by you so that your household can maintain its normal standard of living; or

   b. **Fair Rental Value,** meaning the fair rental value of that part of the "residence premises" where you reside less any expenses that do not continue while the premises is not fit to live in.

   Payment under a. or b. will be for the shortest time required to repair or replace the damage or, if you permanently relocate, the shortest time required for your household to settle elsewhere.

2. If a loss covered under this Section makes that part of the "residence premises" rented to others or held for rental by you not fit to live in, we cover the:

   Fair Rental Value, meaning the fair rental value of that part of the "residence premises" rented to others or held for rental by you less any expenses that do not continue while the premises is not fit to live in.

   Payment will be for the shortest time required to repair or replace that part of the premises rented or held for rental.

3. If a civil authority prohibits you from use of the "residence premises" as a result of direct damage to neighboring premises by a Peril Insured Against in this policy, we cover the Additional Living Expense and Fair Rental Value loss as provided under 1. and 2. above for no more than two weeks.

The periods of time under 1., 2. and 3. above are not limited by expiration of this policy.

We do not cover loss or expense due to cancellation of a lease or agreement.

ADDITIONAL COVERAGES

1. **Debris Removal.** We will pay your reasonable expense for the removal of:

   a. Debris of covered property if a Peril Insured Against that applies to the damaged property causes the loss; or

   b. Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.

   This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit of liability is available for debris removal expense.

   We will also pay your reasonable expense, up to $500, for the removal from the "residence premises" of:

   a. Your tree(s) felled by the peril of Windstorm or Hail;

   b. Your tree(s) felled by the peril of Weight of Ice, Snow or Sleet; or

   c. A neighbor's tree(s) felled by a Peril Insured Against under Coverage C;

provided the tree(s) damages a covered structure. The $500 limit is the most we will pay in any one loss regardless of the number of fallen trees.

2. **Reasonable Repairs.** In the event that covered property is damaged by an applicable Peril Insured Against, we will pay the reasonable cost incurred by you for necessary measures taken solely to protect against further damage. If the measures taken involve repair to other damaged property, we will pay for those measures only if that property is covered under this policy and the damage to that property is caused by an applicable Peril Insured Against.

   This coverage:

   a. Does not increase the limit of liability that applies to the covered property;

   b. Does not relieve you of your duties, in case of a loss to covered property, as set forth in SECTION I - CONDITION 2.d.

3. **Trees, Shrubs and Other Plants.** We cover trees, shrubs, plants or lawns, on the "residence premises," for loss caused by the following Perils Insured Against: Fire or lightning, Explosion, Riot or civil commotion, Aircraft, Vehicles not owned or operated by a resident of the "residence premises," Vandalism or malicious mischief or Theft.

   We will pay up to 5% of the limit of liability that applies to the dwelling for all trees, shrubs, plants or lawns. No more than $500 of this limit will be available for any one tree, shrub or plant. We do not cover property grown for "business" purposes.

   This coverage is additional insurance.

4. **Fire Department Service Charge.** We will pay up to $500 for your liability assumed by contract or agreement for fire department charges incurred when the fire department is called to save or protect covered property from a Peril Insured Against. We do not cover fire department service charges if the property is located within the limits of the city, municipality or protection district furnishing the fire department response.

   This coverage is additional insurance. No deductible applies to this coverage.

5. **Property Removed.** We insure covered property against direct loss from any cause while being removed from a premises endangered by a Peril Insured Against and for no more than 30 days while removed. This coverage does not change the limit of liability that applies to the property being removed.

6. **Credit Card, Fund Transfer Card, Forgery and Counterfeit Money.**

   We will pay up to $500 for:

   a. The legal obligation of an "insured" to pay because of the theft or unauthorized use of credit cards issued to or registered in an "insured's" name;

   b. Loss resulting from theft or unauthorized use of a fund transfer card used for deposit, withdrawal or transfer of funds, issued to or registered in an "insured's" name;

   c. Loss to an "insured" caused by forgery or alteration of any check or negotiable instrument; and

   d. Loss to an "insured" through acceptance in good faith of counterfeit United States or Canadian paper currency.

   We do not cover use of a credit card or fund transfer card:

   a. By a resident of your household;

   b. By a person who has been entrusted with either type of card; or

   c. If an "insured" has not complied with all terms and conditions under which the cards are issued.

   All loss resulting from a series of acts committed by any one person or in which any one person is concerned or implicated is considered to be one loss.

   We do not cover loss arising out of "business" use or dishonesty of an "insured."

   This coverage is additional insurance. No deductible applies to this coverage.

   Defense:

   a. We may investigate and settle any claim or suit that we decide is appropriate. Our duty to defend a claim or suit ends when the amount we pay for the loss equals our limit of liability.

   b. If a suit is brought against an "insured" for liability under the Credit Card or Fund Transfer Card coverage, we will provide a defense at our expense by counsel of our choice.

   c. We have the option to defend at our expense an "insured" or an "insured's" bank against any suit for the enforcement of payment under the Forgery coverage.

7. **Loss Assessment.** We will pay up to $1000 for your share of loss assessment charged during the policy period against you by a corporation or association of property owners, when the assessment is made as a result of direct loss to the property, owned by all members collectively, caused by a Peril Insured Against under COVERAGE A - DWELLING, other than earthquake or land shock waves or tremors before, during or after a volcanic eruption.

   This coverage applies only to loss assessments charged against you as owner or tenant of the "residence premises."

   We do not cover loss assessments charged against you or a corporation or association of property owners by any governmental body.

The limit of $1000 is the most we will pay with respect to any one loss, regardless of the number of assessments.

Condition 1. Policy Period, under SECTIONS I AND II CONDITIONS, does not apply to this coverage.

8. Collapse. We insure for direct physical loss to covered property involving collapse of a building or any part of a building caused only by one or more of the following:

a. Perils Insured Against in COVERAGE C - PERSONAL PROPERTY. These perils apply to covered buildings and personal property for loss insured by this additional coverage;

b. Hidden decay;

c. Hidden insect or vermin damage;

d. Weight of contents, equipment, animals or people;

e. Weight of rain which collects on a roof; or

f. Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation.

Loss to an awning, fence, patio, pavement, swimming pool, underground pipe, flue, drain, cesspool, septic tank, foundation, retaining wall, bulkhead, pier, wharf or dock is not included under items b., c., d., e., and f. unless the loss is a direct result of the collapse of a building.

Collapse does not include settling, cracking, shrinking, bulging or expansion.

This coverage does not increase the limit of liability applying to the damaged covered property.

9. Glass or Safety Glazing Material.

We cover:

a. The breakage of glass or safety glazing material which is part of a covered building, storm door or storm window; and

b. Damage to covered property by glass or safety glazing material which is part of a building, storm door or storm window.

This coverage does not include loss on the "residence premises" if the dwelling has been vacant for more than 30 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant.

Loss for damage to glass will be settled on the basis of replacement with safety glazing materials when required by ordinance or law.

This coverage does not increase the limit of liability that applies to the damaged property.

10. Landlord's Furnishings. We will pay up to $2500 for your appliances, carpeting and other household furnishings, in an apartment on the "residence premises" regularly rented or held for rental to others by an "insured," for loss caused only by the following Perils Insured Against:

a. **Fire or lightning.**

b. **Windstorm or hail.**

This peril does not include loss to the property contained in a building caused by rain, snow, sleet, sand or dust unless the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand or dust enters through this opening.

This peril includes loss to watercraft and their trailers, furnishings, equipment, and outboard engines or motors, only while inside a fully enclosed building.

c. **Explosion.**

d. **Riot or civil commotion.**

e. **Aircraft,** including self-propelled missiles and spacecraft.

f. **Vehicles.**

g. **Smoke,** meaning sudden and accidental damage from smoke.

This peril does not include loss caused by smoke from agricultural smudging or industrial operations.

h. **Vandalism or malicious mischief.**

i. **Falling objects.**

This peril does not include loss to property contained in a building unless the roof or an outside wall of the building is first damaged by a falling object. Damage to the falling object itself is not included.

j. **Weight of ice, snow or sleet** which causes damage to property contained in a building.

k. **Accidental discharge or overflow of water or steam** from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system or from within a household appliance.

This peril does not include loss:

(1) To the system or appliance from which the water or steam escaped;

(2) Caused by or resulting from freezing except as provided in the peril of freezing below; or

(3) On the "residence premises" caused by accidental discharge or overflow which occurs off the "residence premises."

In this peril, a plumbing system does not include a sump, sump pump or related equipment.

l. **Sudden and accidental tearing apart, cracking, burning or bulging** of a steam or hot water heating system, an air conditioning or automatic fire protective sprinkler system, or an appliance for heating water.

We do not cover loss caused by or resulting from freezing under this peril.

m. **Freezing** of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance.

This peril does not include loss on the "residence premises" while the dwelling is unoccupied, unless you have used reasonable care to:

(1) Maintain heat in the building; or

(2) Shut off the water supply and drain the system and appliances of water.

n. **Sudden and accidental damage from artificially generated electrical current.**

This peril does not include loss to a tube, transistor or similar electronic component.

o. **Volcanic eruption** other than loss caused by earthquake, land shock waves or tremors.

The $2500 limit is the most we will pay in any one loss regardless of the number of appliances, carpeting or other household furnishings involved in the loss.

SECTION I - PERILS INSURED AGAINST

COVERAGE A - DWELLING and COVERAGE B - OTHER STRUCTURES

We insure against risk of direct loss to property described in Coverages A and B only if that loss is a physical loss to property. We do not insure, however, for loss:

1. Involving collapse, other than as provided in Additional Coverage 8.;
2. Caused by:

   a. Freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance, or by discharge, leakage or overflow from within the system or appliance caused by freezing. This exclusion applies only while the dwelling is vacant, unoccupied or being constructed, unless you have used reasonable care to:

   (1) Maintain heat in the building; or

   (2) Shut off the water supply and drain the system and appliances of water;

   b. Freezing, thawing, pressure or weight of water or ice, whether driven by wind or not, to a:

   (1) Fence, pavement, patio or swimming pool;

   (2) Foundation, retaining wall, or bulkhead; or

   (3) Pier, wharf or dock;

   c. Theft in or to a dwelling under construction, or of materials and supplies for use in the construction until the dwelling is finished and occupied;

   d. Vandalism and malicious mischief if the dwelling has been vacant for more than 30 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant;

   e. Any of the following:

   (1) Wear and tear, marring, deterioration;

   (2) Inherent vice, latent defect, mechanical breakdown;

   (3) Smog, rust or other corrosion, mold, wet or dry rot;

   (4) Smoke from agricultural smudging or industrial operations;

   (5) Discharge, dispersal, seepage, migration, release or escape of pollutants unless the discharge, dispersal, seepage, migration, release or escape is itself caused by a Peril Insured Against under Coverage C of this policy.

   Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed;

   (6) Settling, shrinking, bulging or expansion, including resultant cracking, of pavements, patios, foundations, walls, floors, roofs or ceilings;

   (7) Birds, vermin, rodents, or insects; or

   (8) Animals owned or kept by an "insured."

   If any of these cause water damage not otherwise excluded, from a plumbing, heating, air conditioning or automatic fire protective sprinkler system or household appliance, we cover loss caused by the water including the cost of tearing out and replacing any part of a building necessary to repair the system or appliance. We do not cover loss to the system or appliance from which this water escaped.

3. Excluded under Section I - Exclusions.

Under items 1. and 2., any ensuing loss to property described in Coverages A and B not excluded or excepted in this policy is covered.

COVERAGE C - PERSONAL PROPERTY

We insure for direct physical loss to the property described in Coverage C caused by a peril listed below unless the loss is excluded in SECTION I - EXCLUSIONS.

1. **Fire or lightning.**

2. **Windstorm or hail.**

This peril does not include loss to the property contained in a building caused by rain, snow, sleet, sand or dust unless the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand or dust enters through this opening.

This peril includes loss to watercraft and their trailers, furnishings, equipment, and outboard engines or motors, only while inside a fully enclosed building.

3. **Explosion.**

4. **Riot or civil commotion.**

5. **Aircraft,** including self-propelled missiles and spacecraft.

6. **Vehicles.**

7. **Smoke,** meaning sudden and accidental damage from smoke.

This peril does not include loss caused by smoke from agricultural smudging or industrial operations.

8. **Vandalism or malicious mischief.**

9. **Theft,** including attempted theft and loss of property from a known place when it is likely that the property has been stolen.

This peril does not include loss caused by theft:

a. Committed by an "insured";

b. In or to a dwelling under construction, or of materials and supplies for use in the construction until the dwelling is finished and occupied; or

c. From that part of a "residence premises" rented by an "insured" to other than an "insured."

This peril does not include loss caused by theft that occurs off the "residence premises" of:

a. Property while at any other residence owned by, rented to, or occupied by an "insured" except while an "insured" is temporarily living there. Property of a student who is an "insured" is covered while at a residence away from home if the student has been there at any time during the 45 days immediately before the loss;

b. Watercraft, and their furnishings, equipment and outboard engines or motors; or

c. Trailers and campers.

10. **Falling objects.**

This peril does not include loss to property contained in a building unless the roof or an outside wall of the building is first damaged by a falling object. Damage to the falling object itself is not included.

11. **Weight of ice, snow or sleet** which causes damage to property contained in a building.

12. **Accidental discharge or overflow of water or steam** from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system or from within a household appliance.

This peril does not include loss:

a. To the system or appliance from which the water or steam escaped;

b. Caused by or resulting from freezing except as provided in the peril of freezing below; or

c. On the "residence premises" caused by accidental discharge or overflow which occurs off the "residence premises."

In this peril, a plumbing system does not include a sump, sump pump or related equipment.

13. **Sudden and accidental tearing apart, cracking, burning or bulging** of a steam or hot water heating system, an air conditioning or automatic fire protective sprinkler system, or an appliance for heating water.

We do not cover loss caused by or resulting from freezing under this peril.

14. **Freezing** of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance.

This peril does not include loss on the "residence premises" while the dwelling is unoccupied, unless you have used reasonable care to:

a. Maintain heat in the building; or

b. Shut off the water supply and drain the system and appliances of water.

15. **Sudden and accidental damage from artificially generated electrical current.**

This peril does not include loss to a tube, transistor or similar electronic component.

16. **Volcanic eruption** other than loss caused by earthquake, land shock waves or tremors.

SECTION I - EXCLUSIONS

1. We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss.

a. **Ordinance or Law,** meaning enforcement of any ordinance or law regulating the construction, repair, or demolition of a building or other structure, unless specifically provided under this policy.

b. **Earth Movement,** meaning earthquake including land shock waves or tremors before, during or after a volcanic eruption;

landslide; mine subsidence; mudflow; earth sinking, rising or shifting; unless direct loss by:

(1) Fire;

(2) Explosion; or

(3) Breakage of glass or safety glazing material which is part of a building, storm door or storm window;

ensues and then we will pay only for the ensuing loss.

This exclusion does not apply to loss by theft.

c. **Water Damage,** meaning:

(1) Flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these, whether or not driven by wind;

(2) Water which backs up through sewers or drains or which overflows from a sump; or

(3) Water below the surface of the ground, including water which exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure.

Direct loss by fire, explosion or theft resulting from water damage is covered.

d. **Power Failure,** meaning the failure of power or other utility service if the failure takes place off the "residence premises." But, if a Peril Insured Against ensues on the "residence premises," we will pay only for that ensuing loss.

e. **Neglect,** meaning neglect of the "insured" to use all reasonable means to save and preserve property at and after the time of a loss.

f. **War,** including the following and any consequence of any of the following:

(1) Undeclared war, civil war, insurrection, rebellion or revolution;

(2) Warlike act by a military force or military personnel; or

(3) Destruction, seizure or use for a military purpose.

Discharge of a nuclear weapon will be deemed a warlike act even if accidental.

g. **Nuclear Hazard,** to the extent set forth in the Nuclear Hazard Clause of SECTION I - CONDITIONS.

h. **Intentional Loss,** meaning any loss arising out of any act committed:

(1) By or at the direction of an "insured"; and

(2) With the intent to cause a loss.

2. We do not insure for loss to property described in Coverages A and B caused by any of the following. However, any ensuing loss to property described in Coverages A and B not excluded or excepted in this policy is covered.

a. **Weather conditions.** However, this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in paragraph 1. above to produce the loss;

b. **Acts or decisions,** including the failure to act or decide, of any person, group, organization or governmental body;

c. **Faulty, inadequate or defective:**

(1) Planning, zoning, development, surveying, siting;

(2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;

(3) Materials used in repair, construction, renovation or remodeling; or

(4) Maintenance;

of part or all of any property whether on or off the "residence premises."

SECTION I - CONDITIONS

1. Insurable Interest and Limit of Liability. Even if more than one person has an insurable interest in the property covered, we will not be liable in any one loss:

a. To the "insured" for more than the amount of the "insured's" interest at the time of loss; or

b. For more than the applicable limit of liability.

2. Your Duties After Loss. In case of a loss to covered property, you must see that the following are done:

a. Give prompt notice to us or our agent;

b. Notify the police in case of loss by theft;

c. Notify the credit card or fund transfer card company in case of loss under Credit Card or Fund Transfer Card coverage;

d. Protect the property from further damage. If repairs to the property are required, you must:

(1) Make reasonable and necessary repairs to protect the property; and

(2) Keep an accurate record of repair expenses;

e. Prepare an inventory of damaged personal property showing the quantity, description, actual cash value and amount of loss. Attach all bills, receipts and related documents that justify the figures in the inventory;

f. As often as we reasonably require:

(1) Show the damaged property;

(2) Provide us with records and documents we request and permit us to make copies; and

(3) Submit to examination under oath, while not in the presence of any other "insured," and sign the same;

g. Send to us, within 60 days after our request, your signed, sworn proof of loss which sets forth, to the best of your knowledge and belief:

(1) The time and cause of loss;

(2) The interest of the "insured" and all others in the property involved and all liens on the property;

(3) Other insurance which may cover the loss;

(4) Changes in title or occupancy of the property during the term of the policy;

(5) Specifications of damaged buildings and detailed repair estimates;

(6) The inventory of damaged personal property described in 2.e. above;

(7) Receipts for additional living expenses incurred and records that support the fair rental value loss; and

(8) Evidence or affidavit that supports a claim under the Credit Card, Fund Transfer Card, Forgery and Counterfeit Money coverage, stating the amount and cause of loss.

3. **Loss Settlement.** Covered property losses are settled as follows:

a. Property of the following types:

(1) Personal property;

(2) Awnings, carpeting, household appliances, outdoor antennas and outdoor equipment, whether or not attached to buildings; and

(3) Structures that are not buildings;

at actual cash value at the time of loss but not more than the amount required to repair or replace.

b. Buildings under Coverage A or B at replacement cost without deduction for depreciation, subject to the following:

(1) If, at the time of loss, the amount of insurance in this policy on the damaged building is 80% or more of the full replacement cost of the building immediately before the loss, we will pay the cost to repair or replace, after application of deductible and without deduction for depreciation, but not more than the least of the following amounts:

(a) The limit of liability under this policy that applies to the building;

(b) The replacement cost of that part of the building damaged for like construction and use on the same premises; or

(c) The necessary amount actually spent to repair or replace the damaged building.

(2) If, at the time of loss, the amount of insurance in this policy on the damaged building is less than 80% of the full replacement cost of the building immediately before the loss, we will pay the greater of the following amounts, but not more than the limit of liability under this policy that applies to the building:

(a) The actual cash value of that part of the building damaged; or

(b) That proportion of the cost to repair or replace, after application of deductible and without deduction for depreciation, that part of the building damaged, which the total amount of insurance in this policy on the damaged building bears to 80% of the replacement cost of the building.

(3) To determine the amount of insurance required to equal 80% of the full replacement cost of the building immediately before the loss, do not include the value of:

(a) Excavations, foundations, piers or any supports which are below the undersurface of the lowest basement floor;

(b) Those supports in (a) above which are below the surface of the ground inside the foundation walls, if there is no basement; and

(c) Underground flues, pipes, wiring and drains.

(4) We will pay no more than the actual cash value of the damage until actual repair or replacement is complete. Once actual repair or replacement is complete, we will settle the loss according to the provisions of b.(1) and b.(2) above.

However, if the cost to repair or replace the damage is both:

(a) Less than 5% of the amount of insurance in this policy on the building; and

(b) Less than $2500;

we will settle the loss according to the provisions of b.(1) and b.(2) above whether or not actual repair or replacement is complete.

(5) You may disregard the replacement cost loss settlement provisions and make claim under this policy for loss or damage to buildings on an actual cash value basis. You may then make claim within 180 days after loss for any additional liability according to the provisions of this Condition 3. Loss Settlement.

4. **Loss to a Pair or Set.** In case of loss to a pair or set we may elect to:

   a. Repair or replace any part to restore the pair or set to its value before the loss; or

   b. Pay the difference between actual cash value of the property before and after the loss.

5. **Glass Replacement.** Loss for damage to glass caused by a Peril Insured Against will be settled on the basis of replacement with safety glazing materials when required by ordinance or law.

6. **Appraisal.** If you and we fail to agree on the amount of loss, either may demand an appraisal of the loss. In this event, each party will choose a competent appraiser within 20 days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the state where the "residence premises" is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss.

   Each party will:

   a. Pay its own appraiser; and

   b. Bear the other expenses of the appraisal and umpire equally.

7. **Other Insurance.** If a loss covered by this policy is also covered by other insurance, we will pay only the proportion of the loss that the limit of liability that applies under this policy bears to the total amount of insurance covering the loss.

8. **Suit Against Us.** No action can be brought unless the policy provisions have been complied with and the action is started within one year after the date of loss.

9. **Our Option.** If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may repair or replace any part of the damaged property with like property.

10. **Loss Payment.** We will adjust all losses with you. We will pay you unless some other person is named in the policy or is legally entitled to receive payment. Loss will be payable 60 days after we receive your proof of loss and:

    a. Reach an agreement with you;

    b. There is an entry of a final judgement; or

    c. There is a filing of an appraisal award with us.

11. **Abandonment of Property.** We need not accept any property abandoned by an "insured."

12. **Mortgage Clause.**

    The word "mortgagee" includes trustee.

    If a mortgagee is named in this policy, any loss payable under Coverage A or B will be paid to the mortgagee and you, as interests appear. If more than one mortgagee is named, the order of payment will be the same as the order of precedence of the mortgages.

    If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:

    a. Notifies us of any change in ownership, occupancy or substantial change in risk of which the mortgagee is aware;

    b. Pays any premium due under this policy on demand if you have neglected to pay the premium; and

    c. Submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so. Policy conditions relating to Appraisal, Suit Against Us and Loss Payment apply to the mortgagee.

    If we decide to cancel or not to renew this policy, the mortgagee will be notified at least 10 days before the date cancellation or nonrenewal takes effect.

    If we pay the mortgagee for any loss and deny payment to you:

    a. We are subrogated to all the rights of the mortgagee granted under the mortgage on the property; or

    b. At our option, we may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, we will receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.

    Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.

13. **No Benefit to Bailee.** We will not recognize any assignment or grant any coverage that benefits a person or organization holding, storing or moving property for a fee regardless of any other provision of this policy.

14. **Nuclear Hazard Clause.**

    a. "Nuclear Hazard" means any nuclear reaction, radiation, or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these.

b. Loss caused by the nuclear hazard will not be considered loss caused by fire, explosion, or smoke, whether these perils are specifically named in or otherwise included within the Perils Insured Against in Section I.

c. This policy does not apply under Section I to loss caused directly or indirectly by nuclear hazard, except that direct loss by fire resulting from the nuclear hazard is covered.

15. **Recovered Property.** If you or we recover any property for which we have made payment under this policy, you or we will notify the other of the recovery. At your option, the property will be returned to or retained by you or it will become our property. If the recovered property is returned to or retained by you, the loss payment will be adjusted based on the amount you received for the recovered property.

16. **Volcanic Eruption Period.** One or more volcanic eruptions that occur within a 72-hour period will be considered as one volcanic eruption.

SECTION II - LIABILITY COVERAGES

COVERAGE E - Personal Liability

If a claim is made or a suit is brought against an "insured" for damages because of "bodily injury" or "property damage" caused by an "occurrence" to which this coverage applies, we will:

1. Pay up to our limit of liability for the damages for which the "insured" is legally liable. Damages include prejudgment interest awarded against the "insured"; and

2. Provide a defense at our expense by counsel of our choice, even if the suit is groundless, false or fraudulent. We may investigate and settle any claim or suit that we decide is appropriate. Our duty to settle or defend ends when the amount we pay for damages resulting from the "occurrence" equals our limit of liability.

COVERAGE F - Medical Payments To Others

We will pay the necessary medical expenses that are incurred or medically ascertained within three years from the date of an accident causing "bodily injury." Medical expenses means reasonable charges for medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, prosthetic devices and funeral services. This coverage does not apply to you or regular residents of your household except "residence employees." As to others, this coverage applies only:

1. To a person on the "insured location" with the permission of an "insured"; or

2. To a person off the "insured location," if the "bodily injury":

   a. Arises out of a condition on the "insured location" or the ways immediately adjoining;

   b. Is caused by the activities of an "insured";

   c. Is caused by a "residence employee" in the course of the "residence employee's" employment by an "insured"; or

   d. Is caused by an animal owned by or in the care of an "insured."

SECTION II - EXCLUSIONS

1. **Coverage E - Personal Liability and Coverage F - Medical Payments to Others** do not apply to "bodily injury" or "property damage":

   a. Which is expected or intended by the "insured";

   b. Arising out of or in connection with a "business" engaged in by an "insured." This exclusion applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the "business";

   c. Arising out of the rental or holding for rental of any part of any premises by an "insured." This exclusion does not apply to the rental or holding for rental of an "insured location":

      (1) On an occasional basis if used only as a residence;

      (2) In part for use only as a residence, unless a single family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or

      (3) In part, as an office, school, studio or private garage;

   d. Arising out of the rendering of or failure to render professional services;

   e. Arising out of a premises:

      (1) Owned by an "insured";

      (2) Rented to an "insured"; or

      (3) Rented to others by an "insured";

      that is not an "insured location";

   f. Arising out of:

      (1) The ownership, maintenance, use, loading or unloading of motor vehicles or all other motorized land conveyances, including trailers, owned or operated by or rented or loaned to an "insured";

      (2) The entrustment by an "insured" of a motor vehicle or any other motorized land conveyance to any person; or

      (3) Vicarious liability, whether or not statutorily imposed, for the actions of a child or minor using a conveyance excluded in paragraph (1) or (2) above.

This exclusion does not apply to:

(1) A trailer not towed by or carried on a motorized land conveyance.

(2) A motorized land conveyance designed for recreational use off public roads, not subject to motor vehicle registration and:

(a) Not owned by an "insured"; or

(b) Owned by an "insured" and on an "insured location";

(3) A motorized golf cart when used to play golf on a golf course;

(4) A vehicle or conveyance not subject to motor vehicle registration which is:

(a) Used to service an "insured's" residence;

(b) Designed for assisting the handicapped; or

(c) In dead storage on an "insured location";

g. Arising out of:

(1) The ownership, maintenance, use, loading or unloading of an excluded watercraft described below;

(2) The entrustment by an "insured" of an excluded watercraft described below to any person; or

(3) Vicarious liability, whether or not statutorily imposed, for the actions of a child or minor using an excluded watercraft described below.

Excluded watercraft are those that are principally designed to be propelled by engine power or electric motor, or are sailing vessels, whether owned by or rented to an "insured." This exclusion does not apply to watercraft:

(1) That are not sailing vessels and are powered by:

(a) Inboard or inboard-outdrive engine or motor power of 50 horsepower or less not owned by an "insured";

(b) Inboard or inboard-outdrive engine or motor power of more than 50 horsepower not owned by or rented to an "insured";

(c) One or more outboard engines or motors with 25 total horsepower or less:

(d) One or more outboard engines or motors with more than 25 total horsepower if the outboard engine or motor is not owned by an "insured";

(e) Outboard engines or motors of more than 25 total horsepower owned by an "insured" if:

(i) You acquire them prior to the policy period; and

(a) You declare them at policy inception; or

(b) Your intention to insure is reported to us in writing within 45 days after you acquire the outboard engines or motors.

(ii) You acquire them during the policy period.

This coverage applies for the policy period.

(2) That are sailing vessels, with or without auxiliary power:

(a) Less than 26 feet in overall length;

(b) 26 feet or more in overall length, not owned by or rented to an "insured."

(3) That are stored;

h. Arising out of:

(1) The ownership, maintenance, use, loading or unloading of an aircraft;

(2) The entrustment by an "insured" of an aircraft to any person; or

(3) Vicarious liability, whether or not statutorily imposed, for the actions of a child or minor using an aircraft.

An aircraft means any contrivance used or designed for flight, except model or hobby aircraft not used or designed to carry people or cargo;

i. Caused directly or indirectly by war, including the following and any consequence of any of the following:

(1) Undeclared war, civil war, insurrection, rebellion or revolution;

(2) Warlike act by a military force or military personnel; or

(3) Destruction, seizure or use for a military purpose.

Discharge of a nuclear weapon will be deemed a warlike act even if accidental;

j. Which arises out of the transmission of a communicable disease by an "insured";

k. Arising out of sexual molestation, corporal punishment or physical or mental abuse; or

l. Arising out of the use, sale, manufacture, delivery, transfer or possession by any person of a Controlled Substance(s) as defined by the Federal Food and Drug Law at 21 U.S.C.A. Sections 811 and 812. Controlled Substances include but are not limited to cocaine, LSD, marijuana and all narcotic drugs. However, this exclusion does not apply to the legitimate use of prescription drugs by a person following the orders of a licensed physician.

Exclusions e., f., g., and h. do not apply to "bodily injury" to a "residence employee" arising out of and in the course of the "residence employees" employment by an "insured."

2. **Coverage E - Personal Liability**, does not apply to:

   a. Liability:

      (1) For any loss assessment charged against you as a member of an association, corporation or community of property owners;

      (2) Under any contract or agreement. However, this exclusion does not apply to written contracts:

         (a) That directly relate to the ownership, maintenance or use of an "insured location"; or

         (b) Where the liability of others is assumed by the "insured" prior to an "occurrence";

      unless excluded in (1) above or elsewhere in this policy;

   b. "Property damage" to property owned by the "insured";

   c. "Property damage" to property rented to, occupied or used by or in the care of the "insured." This exclusion does not apply to "property damage" caused by fire, smoke or explosion;

   d. "Bodily injury" to any person eligible to receive any benefits:

      (1) Voluntarily provided; or

      (2) Required to be provided;

      by the "insured" under any:

      (1) Workers' compensation law;

      (2) Non-occupational disability law; or

      (3) Occupational disease law;

   e. "Bodily injury" or "property damage" for which an "insured" under this policy:

      (1) Is also an insured under a nuclear energy liability policy; or

      (2) Would be an insured under that policy but for the exhaustion of its limit of liability.

      A nuclear energy liability policy is one issued by:

      (1) American Nuclear Insurers;

      (2) Mutual Atomic Energy Liability Underwriters;

      (3) Nuclear Insurance Association of Canada;

      or any of their successors; or

   f. "Bodily injury" to you or an "insured" within the meaning of part a. or b. of "insured" as defined.

3. **Coverage F - Medical Payments to Others**, does not apply to "bodily injury":

   a. To a "residence employee" if the "bodily injury":

      (1) Occurs off the "insured location"; and

      (2) Does not arise out of or in the course of the "residence employee's" employment by an "insured";

   b. To any person eligible to receive benefits:

      (1) Voluntarily provided; or

      (2) Required to be provided;

      under any:

      (1) Workers' compensation law;

      (2) Non-occupational disability law; or

      (3) Occupational disease law;

   c. From any:

      (1) Nuclear reaction;

      (2) Nuclear radiation; or

      (3) Radioactive contamination;

      all whether controlled or uncontrolled or however caused; or

      (4) Any consequence of any of these; or

   d. To any person, other than a "residence employee" of an "insured," regularly residing on any part of the "insured location."

SECTION II - ADDITIONAL COVERAGES

We cover the following in addition to the limits of liability:

1. **Claim Expenses.** We pay:

   a. Expenses we incur and costs taxed against an "insured" in any suit we defend;

   b. Premiums on bonds required in a suit we defend, but not for bond amounts more than the limit of liability for Coverage E. We need not apply for or furnish any bond;

   c. Reasonable expenses incurred by an "insured" at our request, including actual loss of earnings (but not loss of other income) up to $50 per day, for assisting us in the investigation or defense of a claim or suit; and

   d. Interest on the entire judgment which accrues after entry of the judgment and before we pay or tender, or deposit in court that part of the judgment which does not exceed the limit of liability that applies.

2. **First Aid Expenses.** We will pay expenses for first aid to others incurred by an "insured" for "bodily injury" covered under this policy. We will not pay for first aid to you or any other "insured."

3. **Damage to Property of Others.** We will pay, at replacement cost, up to $500 per "occurrence" for "property damage" to property of others caused by an "insured."

   We will not pay for "property damage":

   a. To the extent of any amount recoverable under Section I of this policy;

b. Caused intentionally by an "insured" who is 13 years of age or older;

c. To property owned by an "insured";

d. To property owned by or rented to a tenant of an "insured" or a resident in your household; or

e. Arising out of:

(1) A "business" engaged in by an "insured";

(2) Any act or omission in connection with a premises owned, rented or controlled by an "insured," other than the "insured location"; or

(3) The ownership, maintenance, or use of aircraft, watercraft or motor vehicles or all other motorized land conveyances.

This exclusion does not apply to a motorized land conveyance designed for recreational use off public roads, not subject to motor vehicle registration and not owned by an "insured."

4. **Loss Assessment.** We will pay up to $1000 for your share of loss assessment charged during the policy period against you by a corporation or association of property owners, when the assessment is made as a result of:

a. "Bodily injury" or "property damage" not excluded under Section II of this policy; or

b. Liability for an act of a director, officer or trustee in the capacity as a director, officer or trustee, provided:

(1) The director, officer or trustee is elected by the members of a corporation or association of property owners; and

(2) The director, officer or trustee serves without deriving any income from the exercise of duties which are solely on behalf of a corporation or association of property owners.

This coverage applies only to loss assessments charged against you as owner or tenant of the "residence premises."

We do not cover loss assessments charged against you or a corporation or association of property owners by any governmental body.

Regardless of the number of assessments, the limit of $1000 is the most we will pay for loss arising out of:

a. One accident, including continuous or repeated exposure to substantially the same general harmful condition; or

b. A covered act of a director, officer or trustee. An act involving more than one director, officer or trustee is considered to be a single act.

The following do not apply to this coverage:

1. Section II - Coverage E - Personal Liability Exclusion 2.a.(1);

2. Condition 1. Policy Period, under SECTIONS I AND II - CONDITIONS.

SECTION II - CONDITIONS

1. **Limit of Liability.** Our total liability under Coverage E for all damages resulting from any one "occurrence" will not be more than the limit of liability for Coverage E as shown in the Declarations. This limit is the same regardless of the number of "insureds," claims made or persons injured. All "bodily injury" and "property damage" resulting from any one accident or from continuous or repeated exposure to substantially the same general harmful conditions shall be considered to be the result of one "occurrence."

Our total liability under Coverage F for all medical expense payable for "bodily injury" to one person as the result of one accident will not be more than the limit of liability for Coverage F as shown in the Declarations.

2. **Severability of Insurance.** This insurance applies separately to each "insured." This condition will not increase our limit of liability for any one "occurrence."

3. **Duties After Loss.** In case of an accident or "occurrence," the "insured" will perform the following duties that apply. You will help us by seeing that these duties are performed:

a. Give written notice to us or our agent as soon as is practical, which sets forth:

(1) The identity of the policy and "insured";

(2) Reasonably available information on the time, place and circumstances of the accident or "occurrence"; and

(3) Names and addresses of any claimants and witnesses;

b. Promptly forward to us every notice, demand, summons or other process relating to the accident or "occurrence";

c. At our request, help us:

(1) To make settlement;

(2) To enforce any right of contribution or indemnity against any person or organization who may be liable to an "insured";

(3) With the conduct of suits and attend hearings and trials; and

(4) To secure and give evidence and obtain the attendance of witnesses;

d. Under the coverage - Damage to Property of Others - submit to us within 60 days after the loss, a sworn statement of loss and show the damaged property, if in the "insured's" control;

e. The "insured" will not, except at the "insured's" own cost, voluntarily make payment, assume obligation or incur expense other than for first aid to others at the time of the "bodily injury."

4. **Duties of an Injured Person - Coverage F - Medical Payments to Others.**

The injured person or someone acting for the injured person will:

a. Give us written proof of claim, under oath if required, as soon as is practical; and

b. Authorize us to obtain copies of medical reports and records.

The injured person will submit to a physical exam by a doctor of our choice when and as often as we reasonably require.

5. **Payment of Claim - Coverage F - Medical Payments to Others.** Payment under this coverage is not an admission of liability by an "insured" or us.

6. **Suit Against Us.** No action can be brought against us unless there has been compliance with the policy provisions.

No one will have the right to join us as a party to any action against an "insured." Also, no action with respect to Coverage E can be brought against us until the obligation of the "insured" has been determined by final judgment or agreement signed by us.

7. **Bankruptcy of an Insured.** Bankruptcy or insolvency of an "insured" will not relieve us of our obligations under this policy.

8. **Other Insurance - Coverage E - Personal Liability.** This insurance is excess over other valid and collectible insurance except insurance written specifically to cover as excess over the limits of liability that apply in this policy.

SECTIONS I AND II -CONDITIONS

1. **Policy Period.** This policy applies only to loss in Section I or "bodily injury" or "property damage" in Section II, which occurs during the policy period.

2. **Concealment or Fraud.** The entire policy will be void if, whether before or after a loss, an "insured" has:

a. Intentionally concealed or misrepresented any material fact or circumstance;

b. Engaged in fraudulent conduct; or

c. Made false statements;

relating to this insurance.

3. **Liberalization Clause.** If we make a change which broadens coverage under this edition of our policy without additional premium charge, that change will automatically apply to your insurance as of the date we implement the change in your state, provided that this implementation date falls within 60 days prior to or during the policy period stated in the Declarations.

This Liberalization Clause does not apply to changes implemented through introduction of a subsequent edition of our policy.

4. **Waiver or Change of Policy Provisions.**

A waiver or change of a provision of this policy must be in writing by us to be valid. Our request for an appraisal or examination will not waive any of our rights.

5. **Cancellation.**

a. You may cancel this policy at any time by returning it to us or by letting us know in writing of the date cancellation is to take effect.

b. We may cancel this policy only for the reasons stated below by letting you know in writing of the date cancellation takes effect. This cancellation notice may be delivered to you, or mailed to you at your mailing address shown in the Declarations.

Proof of mailing will be sufficient proof of notice.

(1) When you have not paid the premium, we may cancel at any time by letting you know at least 10 days before the date cancellation takes effect.

(2) When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason by letting you know at least 10 days before the date cancellation takes effect.

(3) When this policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel:

(a) If there has been a material misrepresentation of fact which if known to us would have caused us not to issue the policy; or

(b) If the risk has changed substantially since the policy was issued.

This can be done by letting you know at least 30 days before the date cancellation takes effect.

(4) When this policy is written for a period of more than one year, we may cancel for any reason at anniversary by letting you know at least 30 days before the date cancellation takes effect.

c. When this policy is cancelled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata.

d. If the return premium is not refunded with the notice of cancellation or when this policy is returned to us, we will refund it within a reasonable time after the date cancellation takes effect.

6. **Nonrenewal.** We may elect not to renew this policy. We may do so by delivering to you, or mailing to you at your mailing address shown in the Declarations, written notice at least 30 days before the expiration date of this policy. Proof of mailing will be sufficient proof of notice.

7. **Assignment.** Assignment of this policy will not be valid unless we give our written consent.

8. **Subrogation.** An "insured" may waive in writing before a loss all rights of recovery against any person. If not waived, we may require an assignment of rights of recovery for a loss to the extent that payment is made by us.

If an assignment is sought, an "insured" must sign and deliver all related papers and cooperate with us.

Subrogation does not apply under Section II to Medical Payments to Others or Damage to Property of Others.

9. **Death.** If any person named in the Declarations or the spouse, if a resident of the same household, dies:

a. We insure the legal representative of the deceased but only with respect to the premises and property of the deceased covered under the policy at the time of death;

b. "Insured" includes:

(1) Any member of your household who is an "insured" at the time of your death, but only while a resident of the "residence premises"; and

(2) With respect to your property, the person having proper temporary custody of the property until appointment and qualification of a legal representative.

*MUTUAL POLICY CONDITIONS

You are a member of the Liberty Mutual Fire Insurance Company while this policy is in force. Membership entitles you to vote in person or by proxy at meetings of the company. The Annual Meeting is in Boston, Massachusetts, on the second Wednesday in April each year at 11 o'clock in the morning.

Also, as a member, you will receive any dividends declared on this policy by the Directors.

This policy is classified in Dividend Class II.

This policy has been signed by our President and Secretary at Boston, Massachusetts, and countersigned on the Declarations Page by an authorized representative.

*These conditions apply only if Liberty Mutual Fire Insurance Company is shown in the Declarations as the insurer.

PRESIDENT

SECRETARY

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Liberty Mutual.

NOTICE OF PRIVACY POLICY

Liberty Mutual* values you as a customer and takes your personal privacy seriously. When you apply for insurance, you disclose information about yourself or members of your family. This notice tells you how we treat the information we collect about you.

1. INFORMATION WE MAY COLLECT

We collect information about you from:

- Applications or other forms you complete;
- Your business dealings with us and other companies;
- Your employer or association for Liberty Mutual Group products;
- Consumer reporting agencies, Motor Vehicle Departments, inspection services, the Medical Information Bureau and medical providers; and,
- Visits to our Liberty Mutual website.

2. TYPES OF INFORMATION WE MAY DISCLOSE

We may disclose the following about you:

- Information from your application or other forms, such as your name, address, vehicle and driver information;
- Information about your transactions with us, our affiliates or others, such as your insurance coverages, payment history, and certain claims information; and,
- Information we receive from third parties, such as your motor vehicle records and claims history.

3. TO WHOM INFORMATION MAY BE DISCLOSED

We do not disclose personal information about you to anyone unless allowed by law. We are allowed by law to provide information to:

- A third party that performs services for us, such as claims investigations, inspections, and appraisals;
- Our affiliated companies and reinsurers;
- Insurance regulators and reporting agencies;
- State Motor Vehicle Departments to obtain a report of any accidents or convictions;
- Law enforcement agencies or other government authorities to report suspected illegal activities;
- A person or organization conducting insurance actuarial or research studies which are subject to appropriate confidentiality agreements;
- Companies that provide marketing services on our behalf, or as part of a joint marketing agreement with banks, credit unions, and affinity partners, or providers of annuity and financial products and services offered through us to our customers, which are subject to appropriate confidentiality agreements; and
- As otherwise permitted by law.

4. HOW WE PROTECT INFORMATION

We maintain physical, electronic, and procedural safeguards to protect your nonpublic personal information. These safeguards comply with applicable laws. We retain your information for as long as required by law or regulation. The only employees or agents who have access to your information are those who must have it to provide products or services to you. We do not sell your information to mass marketing or telemarketing companies.

*This privacy notice is provided on behalf of the following Liberty Mutual companies and affiliates that provide personal automobile, homeowners, life insurance, annuity and financial products and services: Liberty Mutual Insurance Company, Liberty Mutual Fire Insurance Company, Liberty Insurance Corporation, LM Insurance Corporation, The First Liberty Insurance Corporation, Liberty Insurance Company of America, Liberty Northwest Insurance Corporation, Liberty Life Assurance Company of Boston, Liberty Life Securities LLC, Liberty County Mutual Insurance Company (Texas only), Liberty Lloyds of Texas Insurance Company, LM Property and Casualty Insurance Company, LM Personal Insurance Company, Liberty Mutual Mid-Atlantic Insurance Company and LM General Insurance Company.

AMENDATORY MOLD, FUNGUS, WET ROT, DRY ROT, BACTERIA, OR VIRUS ENDORSEMENT

This endorsement changes your policy. Please read it carefully.

DEFINITIONS
The following definition is added:

9. "Mold, Fungus, Wet Rot, Dry Rot, Bacteria, or Virus" means any type or form of fungus, rot, virus or bacteria. This includes mold, mildew and any other microbes mycotoxins, , spores, scents or byproducts produced or released by mold, mildew, fungus, rot, bacteria, or viruses.

SECTION I -- PROPERTY COVERAGES
Additional Coverages
The following Additional Coverage is added:

11. Remediation of "Mold, Fungus, Wet Rot, Dry Rot, Bacteria, or Virus" Resulting Directly From A Covered Water Loss

We will pay up to $5,000 for the **"Remediation"** of **"Mold, Fungus, Wet Rot, Dry Rot, Bacteria, or Virus"** resulting directly from a covered water loss. We will pay no more than $5,000 for this coverage during the policy period, regardless of the number of water damage losses or claims submitted.

"Remediation" means the reasonable and necessary treatment, containment, decontamination, removal or disposal of **"Mold, Fungus, Wet Rot, Dry Rot, Bacteria, or Virus"** as required to complete the repair or replacement of property, covered under Section I of the policy, that is damaged by a covered water loss. **"Remediation"** includes payment for any loss of fair rental value, or reasonable increase in additional living expenses that is necessary to maintain your normal standard of living, if **"Mold, Fungus, Wet Rot, Dry Rot, Bacteria, or Virus"** resulting from a covered water loss makes your residence premises uninhabitable. **"Remediation"** includes testing or investigation to detect, evaluate or measure **"Mold, Fungus, Wet Rot, Dry Rot, Bacteria, or Virus"**.

This Additional Coverage does not increase the limits of liability under Section I of the policy.

SECTION I -- PERILS INSURED AGAINST
Coverage A -- Dwelling and Coverage B -- Other Structures
Paragraph **2.e. (3)** is deleted and replaced by the following:

(3) Smog, rust or other corrosion;

Paragraph **2.e. (9)** is added:

(9) Seepage, meaning continuous or repeated seepage or leakage of water, steam or fuel over a period of weeks, months or years:
  a) From a plumbing, heating, air conditioning or automatic fire protection system or from within a domestic appliance; or
  b) From within or around any plumbing fixtures, including, but not limited to, shower stalls, shower baths, tub installations, sinks or other fixtures, including walls, ceilings or floors.

SECTION I -- EXCLUSIONS
Exclusion **1.i.** is added:

i. Except as provided by **Additional Coverage 11.**, damage caused by **"Mold, Fungus, Wet Rot, Dry Rot, Bacteria, or Virus"** is excluded, even if resulting from a peril insured against under Section I. We do not cover **"Remediation"** of **"Mold, Fungus, Wet Rot, Dry Rot, Bacteria, or Virus"**, even if resulting from a peril insured against under Section I, except as provided by **Additional Coverage 11.**.

SECTION II -- EXCLUSIONS
Coverage E -- Personal Liability and Coverage F -- Medical Payments to Others
Exclusion **1.m.** is added:

m. Arising out of or aggravated by, in whole or in part, **"Mold, Fungus, Wet Rot, Dry Rot, Bacteria, or Virus"**.

AMENDATORY ENDORSEMENT

THIS ENDORSEMENT CHANGES YOUR POLICY - PLEASE READ IT CAREFULLY

THIS ENDORSEMENT SUPERSEDES ALL OTHER ENDORSEMENTS WHICH HAVE BEEN MADE PART OF YOUR POLICY AND REFERENCE THESE SAME PROVISIONS

SECTION I - PROPERTY COVERAGES

COVERAGE A - Dwelling
Item 1. is amended as follows:
We cover:
1. The dwelling on the "residence premises" shown in the Declarations, including structures attached to the dwelling, and attached wall-to-wall carpeting;

COVERAGE C - Personal Property

The introductory paragraph of **Special Limits of Liability** is amended to read:

These do not increase the Coverage C limit of liability. The special limit for each numbered category below is the total limit for each loss for all property in that category. If personal property can reasonably be considered a part of two or more of the groups listed below, the lowest limit will apply.

The following limits are added:

12. $5000 on electronic data processing system equipment and the recording or storage media or accessories used with that equipment.

13. $5000 on any one article and $10000 in the aggregate for loss by theft of any rug, carpet (excluding attached wall-to-wall carpet), tapestry, wall-hanging or other similar article.

14. $2500 in the aggregate for loss of any of the following whether or not they are part of a collection: trading cards, comic books, figurines, stamps, advertising materials, stuffed animals, dolls, sports and entertainment memorabilia, toys, games, militaria, and books.

15. $1200 for any one electrical appliance for loss by sudden and accidental damage from artificially generated electrical currents. This special limit does not apply to electronic data processing equipment or storage media.

Property Not Covered under COVERAGE C - Personal Property

The final two subparagraphs of Item 3 (a. and b.) are replaced by the following:
We do cover vehicles or conveyances not subject to motor vehicle registration which are:

a. Used solely to service an "insured's" residence; or
b. Designed for assisting the handicapped;

Item 10. is added as personal property items not covered.
10. Water or steam

ADDITIONAL COVERAGES is revised as follows:

Item 7. **Loss Assessment** is deleted in its entirety.

The following is added to Item 8. **Collapse**.
With respect to this Additional Coverage:
(1) Collapse means the sudden and entire falling down or caving in of a building or any part of a building with the result that the building or part of the building cannot be occupied or used for its current intended purpose.
(2) A building or any part of a building that is in danger of falling down or caving in is not considered to be in a state of collapse.
(3) A part of a building that is standing is not considered to be in a state of collapse even if it has separated from another part of the building.
(4) A building or any part of a building that is standing is not considered to be in a state of collapse even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

Item 10. **Landlord's Furnishings** is deleted in its entirety.

SECTION I - PERILS INSURED AGAINST

COVERAGE A - DWELLING and COVERAGE B - OTHER STRUCTURES
The following is added to item **2.b.**
(4) Footing(s)

The following are added to item **2.e.** Any of the following:
(10) Growth of trees, shrubs, plants or lawns whether or not such growth is above or below the surface of the ground;

The final paragraph of Item 2. is further revised as follows:

If any of these cause sudden and accidental water damage not otherwise excluded, from a plumbing, heating, air conditioning or automatic fire protective sprinkler system or household appliance, we cover loss caused by the water including the cost of tearing out and replacing any part of a building necessary to repair the system or appliance. We do not cover loss to the system or appliance from which this water escaped.

SECTION II - EXCLUSIONS

Item 1.a. under **Coverage E - Personal Liability and Coverage F - Medical Payments to Others** is amended as follows:

Which is expected or intended by the "insured", even if the resulting "bodily injury" or "property damage"

1) is of a different kind, quality, or degree than initially expected or intended; or
2) is sustained by a different person, entity, real or personal property, than initially expected or intended.

However, this exclusion does not apply to "bodily injury" resulting from the use of reasonable force to protect persons or property.

SECTION II - ADDITIONAL COVERAGES

Item 1.c. under **Claims Expenses** is amended as follows:

Reasonable expenses incurred by an "insured" at our request, including actual loss of earnings (but not loss of other income) up to $250 per day, for assisting us in the investigation or defense of a claim or suit.

Item 4. **Loss Assessment** is deleted in its entirety.

All other policy terms and conditions apply.

INFLATION PROTECTION ENDORSEMENT

It is agreed that the limits of liability for:

Coverage A, Dwelling;

Coverage B, Structure;

Coverage C, Personal Property;

and Coverage D, Loss of Use,

shall be raised by the rate of increase in the Xactware Pricing Indices published by Xactware Inc.

METHOD

To find the limits of liability on a given date, the Index Level the Company assigns to that date will be divided by the Index Level for the effective date of this Endorsement. This Factor is then multiplied by the limit for Coverages A, B, C and D separately.

If during this policy's term the Coverage A limit is changed at the insured's request, the effective date of this Endorsement is amended to the effective date of such change.

This Endorsement shall not reduce the limits of liability to less than the amount shown on:

a. The policy; or
b. The most recent Homeowners Policy Renewal Declaration.

This Endorsement must be attached to Change Endorsement when issued after the policy is written.

CALIFORNIA RESIDENTIAL PROPERTY INSURANCE BILL of RIGHTS

The largest single investment most consumers make is their home and related property. In order to best protect these assets, it is wise for consumers to understand the homeowner's insurance market. Consumers should consider the following:

- Read your policy carefully and understand the coverage and limits provided. Homeowner's insurance policies contain sublimits for various coverages such as personal property, debris removal, additional living expense, detached fences, garages, etc.
- Keep accurate records of renovations and improvements to the structure of your home, as it could affect your need to increase your coverage.
- Maintaining a list of all personal property, pictures, and video equipment may help in the case of a loss. The list should be stored away from your home.
- Comparison shop for insurance, as not all policies are the same and coverage and prices vary.
- Take time to determine the cost to rebuild or replace your property in today's market. You can seek an independent evaluation of this cost.
- You may select a licensed contractor or vendor to repair, replace, or rebuild damaged property covered by the insurance policy.
- An agent or insurance company may help you establish policy limits that are adequate to rebuild your home.
- Once the policy is in force, contact your agent or insurance company immediately if you believe your policy limits may be inadequate.

A consumer is entitled to receive information regarding homeowner's insurance. The following is a limited overview of information that your insurance company can provide:

- The California Residential Property Insurance Disclosure.
- An explanation of how your policy limits were established.
- The insurance company's customer service telephone number for underwriting, rating, and claims inquiries.
- An explanation for any cancellation or nonrenewal of your policy.
- A copy of your policy.
- The toll-free telephone number and Internet address for reporting complaints and concerns about homeowner's insurance issues to the department's consumer services unit.
- In the event of a claim, an itemized, written scope of loss report prepared by the insurer or its adjuster within a reasonable time period.
- In the event of a claim, notification of a consumer's rights with respect to the appraisal process for resolving claims disputes.
- In the event of a claim, a copy of the Unfair Practices Act and a copy of the Fair Claims Practices Regulations.

The information provided herein is not all inclusive and does not negate or preempt existing California law. If you have any concerns or questions, the officers at our Consumer Hotline are there to help you. Please call them at 1-800-927-HELP (4357) or contact us at www.insurance.ca.gov.

POLICY NUMBER
H32-268-079260-40 7 2 NEW BUSINESS EFFECTIVE 11/14/07

Liberty Mutual

NAMED INSURED AND MAILING ADDRESS
ASIA AWAD
835 MURRAY DR
EL CAJON CA 92020-5641

FOR SERVICE CALL OR WRITE
KHALAF
PO BOX 52102
PHOENIX AZ 85072

800-869-4009
CLAIMS: 800-225-2467

CALIFORNIA RESIDENTIAL PROPERTY INSURANCE DISCLOSURE

This disclosure is required by California law (Section 10102 of the Insurance Code). It describes the principal forms of insurance coverage in California for residential dwellings. It also identifies the form of dwelling coverage you have purchase or selected.

This disclosure form contains only a general description of coverages and is not part of your residential property insurance policy. Only the specific provisions of your policy will determine whether a particular loss is covered and, if so, the amount payable. Regardless of which type of coverage you purchase, your policy may exclude or limit certain risks. This disclosure form does not explain the types of contents coverage (furniture, clothing, etc.) provided by your policy. Some policies do not replace contents with new items, but instead, only pay for the current market value of an item. If you have any questions, contact your insurer or agent. ***In addition, some of the coverages listed on this disclosure may not be available from all insurers and those that are available, may be subject to eligibility requirements.***

The cost to rebuild your home may be very different from the market value of your home since reconstruction is based primarily on the cost of labor and materials. Many factors can affect the cost to rebuild your home, including the size of your home, the type of construction, and any unique features. Please review the following coverages carefully. If you have questions regarding the level of coverage in your policy, please contact your insurance agent or company. Additional coverage may be available for an additional premium.

READ YOUR POLICY CAREFULLY. If you do not understand any part of it or have questions about what it covers, contact your insurance agent or company. You may also call the California Department of Insurance consumer information line at 1-800-927-HELP.

FORMS OF COVERAGE FOR DWELLINGS	DWELLING COVERAGE SELECTED OR PURCHASED
GUARANTEED REPLACEMENT COST COVERAGE WITH FULL BUILDING CODE UPGRADE **PAYS REPLACEMENT COSTS WITHOUT REGARD TO POLICY LIMITS, AND INCLUDES COSTS RESULTING FROM CODE CHANGES.** In the event of any covered loss to your home, the insurance company will pay the full amount needed to repair or replace the damaged or destroyed dwelling with like or equivalent construction regardless of policy limits. Your policy will specify whether you must actually repair or replace the damaged or destroyed dwelling in order to recover guaranteed replacement cost. The amount of recovery will be reduced by any deductible you have agreed to pay. This coverage includes all additional costs of repairing or replacing your damaged or destroyed dwelling to comply with any new building standards (such as building codes or zoning laws) required by government agencies and in effect at the time of rebuilding. To be eligible to recover full guaranteed replacement costs with building code upgrade, you must insure the dwelling to its full replacement cost at the time the policy is issued, with possible periodic increases in the amount of coverage to adjust for inflation and increases in building costs; you must permit inspections of the dwelling by the insurance company; and you must notify the insurance company about any alterations that increase the value of the insured dwelling by a certain amount (see your policy for that amount).	NOT AVAILABLE

Liberty Mutual Fire Insurance Company

FORMS OF COVERAGE FOR DWELLINGS	DWELLING COVERAGE SELECTED OR PURCHASED
GUARANTEED REPLACEMENT COST COVERAGE WITH LIMITED OR NO BUILDING CODE UPGRADE PAYS REPLACEMENT COSTS WITHOUT REGARD TO POLICY LIMITS BUT LIMITS OR EXCLUDES COSTS RESULTING FROM CODE CHANGES. In the event of any covered loss to your home, the insurance company will pay the full amount needed to repair or replace the damaged or destroyed dwelling with like or equivalent construction regardless of policy limits. Your policy will specify whether you must actually repair or replace the damaged or destroyed dwelling in order to recover guaranteed replacement cost. The amount of recovery will be reduced by any deductible you have agreed to pay. This coverage does not include all additional costs of repairing or replacing your damaged or destroyed dwelling to comply with any new building standards (such as building codes or zoning laws) required by government agencies and in effect at the time of rebuilding. Consult your policy for the applicable exclusions or limits with respect to these costs. To be eligible to recover full guaranteed replacement cost with limited or no building code upgrade, you must insure the dwelling to its full replacement cost at the time the policy is issued, with possible periodic increases in the amount of coverage to adjust for inflation and increases in building costs; you must permit an inspection of the dwelling by the insurance company; and you must notify the insurance company about any alterations that increase the value of the insured dwelling by a certain amount (see your policy for that amount).	NOT AVAILABLE
EXTENDED REPLACEMENT COST COVERAGE PAYS REPLACEMENT COSTS UP TO A SPECIFIED AMOUNT ABOVE THE POLICY LIMIT. In the event of any covered loss to your home, the insurance company will pay to repair or replace the damaged or destroyed dwelling with like or equivalent construction up to a specified percentage over the policy's limits of liability. See the declarations page of your policy for the limit that applies to your dwelling. Your policy will specify whether you must actually repair or replace the damaged or destroyed dwelling in order to recover extended replacement costs. The amount of recovery will be reduced by any deductible you have agreed to pay. To be eligible to recover extended replacement cost coverage, you must insure the dwelling to its full replacement cost at the time the policy is issued, with possible periodic increases in the amount of coverage to adjust for inflation; you must permit an inspection of the dwelling by the insurance company; and you must notify the insurance company about any alterations that increase the value of the insured dwelling by a certain amount (see your policy for that amount). Your policy will specify whether or not you must actually repair or replace the damaged or destroyed dwelling in order to recover extended replacement cost. Read your declaration page to determine whether your policy includes coverage for building code upgrades.	YES
REPLACEMENT COST COVERAGE PAYS REPLACEMENT COSTS UP TO POLICY LIMITS. In the event of any covered loss to your home, the insurance company will pay to repair or replace the damaged or destroyed dwelling with like or equivalent construction up to the policy's limit of liability. See the declarations page of your policy for the limit that applies to your dwelling. Your policy will specify whether you must actually repair or replace the damaged or destroyed dwelling in order to recover replacement costs. The amount of recovery will be reduced by any deductible you have agreed to pay. To be eligible to recover replacement cost, you must insure the dwelling to at least 80 percent of its replacement cost at the time of loss. Read your declaration page to determine whether your policy includes coverage for building code upgrades.	NO
ACTUAL CASH VALUE COVERAGE PAYS THE FAIR MARKET VALUE OF THE DWELLING AT THE TIME OF LOSS, UP TO POLICY LIMIT. In the event of any covered loss to your home, the insurance company will pay either the depreciated fair market value of the damaged or destroyed dwelling at the time of the loss or the cost of replacing or repairing the damaged or destroyed dwelling with like or equivalent construction up to the policy limit. The amount of recovery will be reduced by any deductible you have agreed to pay. Read your declaration page to determine whether your policy includes coverage for building code upgrades.	NO
BUILDING CODE UPGRADE – ORDINANCE AND LAW COVERAGE PAYS, UP TO LIMITS SPECIFIED IN YOUR POLICY, ADDITIONAL COSTS REQUIRED TO BRING THE DWELLING "UP TO CODE". In the event of any covered loss, the insurance company will pay any additional costs, up to the stated limits, of repairing or replacing a damaged or destroyed dwelling to conform with any building standards such as building codes or zoning laws required by government agencies and in effect at the time of the loss or rebuilding (see your policy).	YES

CALIFORNIA PROPERTY DISCLOSURE

Liberty Mutual.

HOMEPROTECTOR PLUS ENDORSEMENT

A. INCREASED SPECIAL LIMIT OF LIABILITY -- JEWELRY, WATCHES, FURS, PRECIOUS AND SEMI-PRECIOUS STONES

Section I, Coverage C -- Personal Property. Special Limits of Liability. Paragraph 5 is replaced with:

5. Jewelry, watches, furs, precious and semi-precious stones are insured for accidental direct physical loss or damage. The following exclusions and limitations apply:

   a. $2500 for loss by theft, subject to a maximum of $1000 for any one article.

   b. The limit of liability stated in the declarations page for Coverage C, for loss caused by perils named under Coverage C of this policy, other than theft.

   c. $2500 for loss caused by perils not named and not excluded in this policy, subject to a maximum of $1000 for any article.

   d. We do not cover loss or damage caused by mechanical breakdown, wear and tear, gradual deterioration, insects, vermin or inherent vice.

B. REPLACEMENT COST PROVISION -- DWELLING AND PERSONAL PROPERTY

You must meet the following additional Section I Condition for this endorsement to apply:

17. Additions or Changes to Dwelling -- Notice to Company. You must inform us within 90 days of the start of any additions, alterations or improvements to the dwelling building that will increase the replacement cost of the building by $5,000 or more.

If you meet Condition 17, then Section I, Condition 3, Loss Settlement, is deleted and replaced by the following:

3. Loss Settlement. Covered property losses are settled as follows:

   a. The applicable limit of liability for Buildings under Coverage A or B is the replacement cost, after application of deductible and without deduction for depreciation, subject to the following:

      (1) We will pay the cost of repair or replacement, but not exceeding:

         (a) The replacement cost of that part of the building damaged using like construction and intended for the same occupancy and use;

         (b) With respect to Coverage A, an amount not exceeding 35% greater than the limit of liability stated in the declaration, as modified by the Inflation Protection Provision of the policy;

         (c) With respect to Coverage B, the limit of liability stated in the declaration, as modified by the Inflation Protection Provision of the policy;

         (d) The amount actually and necessarily spent to repair or replace the damage.

      (2) When the cost of repair or replacement is more than $2500 or more than 5% of the amount of insurance in this policy on the building, whichever is less, we will pay no more than the actual cash value of the damage until actual repair or replacement is complete.

   b. Awnings, outdoor antennas and outdoor equipment, whether or not attached to buildings, and structures that are not buildings; at actual cash value at the time of loss but not exceeding the amount needed to repair or replace.

   c. Personal property, carpeting and household appliances; at replacement cost but not exceeding the amount needed to repair or replace subject to the following:

      (1) Our limit of liability for loss to Personal Property shall not exceed the smallest of the following:

         (a) Replacement cost with a similar item of like kind and quality at the time of loss;

         (b) The full cost of repair;

(c) Any special limit of liability described in the policy or stated in this endorsement; or

(d) The Coverage C limit of liability stated in the declarations, as modified by the Inflation Protection Provision of the policy.

(2) This endorsement shall not apply to:

(a) Fine arts and items which, by their nature cannot be replaced with new items.

(b) Articles whose age or history contribute substantially to their value including souvenirs or collector's items.

(c) Property that is unusable for the purpose for which it was originally intended due to age or historic condition.

(3) We will not pay for any loss to personal property under this endorsement until actual repair or replacement is complete.

d. You may disregard the replacement cost provision and make a claim for loss of or damage to property on an actual cash value basis and then make claim within 180 days after loss for additional liability under this endorsement.

C. INCREASED LIMIT -- COVERAGE D

We will pay the amount of loss covered by Coverage D which is actually sustained by you during the 24 consecutive months following the date of loss, subject to the periods of time under paragraph 1, 2 and 3 of Coverage D -- Loss of Use.

D. ADDITIONAL COVERAGES

REFRIGERATORS AND FREEZERS CONTENTS COVERAGE

We cover the contents of deep freeze or refrigerated units on the residence premises from the perils of:

1. Fluctuation or total interruption of electric power, either on or off premises, resulting from conditions beyond the control of the insured.
2. Mechanical breakdown of any refrigeration equipment on premises including the blowing of fuses or circuit breakers.

We do not cover loss caused by the following additional exclusions:

1. Disconnection or termination of power due to turning off any switch.
2. Inability of power source to provide sufficient power due to government order, lack of fuel or lack of generating capacity to meet demand.

SPECIAL LIMIT -- We will not pay more $500 of your loss of refrigerator or freezer contents resulting from the above perils.

All other provisions of this policy apply.

LOCK REPLACEMENT COVERAGE

We will pay up to $250 for replacing the locks or cylinders on the exterior doors of the residence premises when your keys have been stolen. The theft of the keys must be reported to the police for this coverage to apply.

This coverage is additional insurance. No deductible applies to this coverage.

E. EXPANDED COVERAGE LIMITS

The following additional condition must be met in order for the Expanded Coverage Limits to apply:

- A covered peril ensuing from a Major Disaster as defined by the Federal Emergency Management Agency (FEMA) must be declared in the jurisdiction for the event which caused direct loss to property.

REPLACEMENT COST PROVISION - DWELLING AND PERSONAL PROPERTY

3. Loss Settlement. Covered property losses are settled as follows:

a. The applicable limit of liability for Buildings under Coverage A or B is the replacement cost, after application of deductible and without deduction for depreciation, subject to the following:

(1) We will pay the cost of repair or replacement, but not exceeding:

(a) The replacement cost of that part of the building damaged using like construction and intended for the same occupancy and use;

(b) With respect to Coverage A, an amount not exceeding 75% greater than the limit of liability stated in the declaration, as modified by the Inflation Protection Provision of the policy;

(c) With respect to Coverage B, an amount not exceeding 75% the limit of liability stated in the declaration, as modified by the Inflation Protection Provision of the policy;

(d) The amount actually and necessarily spent to repair or replace the damage.

Liberty Mutual.

BILLING INFORMATION

We know flexibility and convenience are important. That is why we offer a variety of billing and payment methods from which to choose. When your premium notice arrives in the next few days, you may choose a method of payment that best meets your individual needs.

THE CHOICE IS YOURS

- You may pay the entire premium in full without additional charge. Your payment must be received by the due date shown on the premium notice.
- You may pay the premium in multiple installments (minimum $30) after a down payment. With this option, each bill will include a $4 billing expense fee (shown under "Financial Charge"). Your representative can provide you with the various installment options available to you.
- You may sign up for Electronic Funds Transfer (EFT). With this method, you can save money as there are no installment fees. To sign up, simply select that option on the remittance portion of your bill when you make your next payment, or you can go online at www.libertymutual.com/lm/insurance and use eService. The "My Policies" menu will take you to an EFT form you can complete and mail or fax.
- You may also pay your bill online, rather than writing out a check and sending it via traditional mail service. Follow the directions above to get to eService. If you don't already have an eService account, you will need to register your policies.

If you have any questions please contact your Prudential agent, or call us at 800-869-4009 and a representative will be happy to assist you.

Thank you for insuring with Liberty Mutual. We appreciate your business.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

WORKERS COMPENSATION
RESIDENCE EMPLOYEES - CALIFORNIA

We agree, with respect to "residence employees":

Under Coverage I

To pay when due all benefits required of an "insured" by the California Workers' Compensation Law; and

Under Coverage II

To pay on behalf of an "insured" all damages for which the "insured" is legally liable because of "bodily injury" sustained by a "residence employee". The "bodily injury" must be caused by accident or disease and arise out of and in the course of employment by the "insured" while:

a. In the United States of America, its territories or possessions, or Canada, or

b. Temporarily elsewhere if the "residence employee" is a citizen or resident of the United States or Canada.

Coverage II does not apply to any suit brought in or judgment rendered by any court outside the United States of America, its territories and possessions, or Canada, or to any action on such judgment.

Who is Covered

A "residence employee" is covered if during the 90 calendar days immediately before the date of injury the employee has:

a. Actually been engaged in such employment by the "insured" for no less than 52 hours, and

b. Earned no less than one hundred dollars ($100) in wages.

Application of Coverage

This insurance applies only to "bodily injury" which occurs during the policy period. If the "bodily injury" is a disease, it must be caused or aggravated by the conditions of the "residence employee's" employment by the "insured".

Policy Provisions

This insurance is subject to all the provisions of this endorsement and the following provisions of this policy:

a. Under **Sections I and II - Conditions:**

4. Waiver or Change of Policy Provisions.

5. Cancellation.

7. Assignment.

8. Subrogation.

b. Under **Section II - Conditions:**

3. Duties After Loss.

6. Suit Against Us.

c. Our agreement to defend the "insured" as provided under **Coverage E - Personal Liability.**

d. Under **Section II - Additional Coverages:**

1. Claim Expenses.

2. First Aid Expenses.

e. The definition of "bodily injury", "business", "insured" and "residence employee".

Additional Provisions Applicable to Coverage I

The following provisions are applicable to Coverage I:

a. We shall be directly and primarily liable to any "residence employee" of an "insured" entitled to the benefits of the California Workers' Compensation Law.

b. As between the "residence employee" and us, notice to or knowledge of the "occurrence" of the injury on the part of an "insured" will be deemed notice or knowledge on our part.

c. The jurisdiction of an "insured" will, for the purpose of the law imposing liability for compensation, be our jurisdiction.

d. We will be subject to the orders, findings, decisions or awards rendered against an "insured", under the provisions of the law imposing liability for compensation, subject to the provisions, conditions and limitations of this policy. This policy shall govern as between an "insured" and us as to payments by either in discharge or an "insured's" liability for compensation.

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e. The "residence employee" has a first lien upon any amount which we owe you on account of this insurance. In case of your legal incapacity or inability to receive the money and pay it to the "residence employee", we will pay it directly to the "residence employee". Your obligation to the "residence employee" will be discharged to the extent of such payment.

Limits of Liability Coverage II

Our total limit of liability will not exceed $100,000 for all damages because of "bodily injury":

a. Sustained by one or more "residence employees" in any one accident; or

b. Caused by disease and sustained by a "residence employee".

Our total limit of liability will not exceed $500,000 for all damages arising out of "bodily injury" by disease regardless of the number of "residence employees" who sustain "bodily injury" by disease.

Other Insurance

This insurance does not apply to any loss to which other valid and collectible Workers' Compensation or Employers' Liability Insurance applies.

Conformity to Statute

Terms of this insurance which are in conflict with the California Workers' Compensation Law are amended to conform to that law.

Exclusions

This policy does not apply:

a. To liability for additional compensation imposed on an "insured" under Sections 4553 and 4557, Division IV, Labor Code of the State of California, because of the serious and willful misconduct of an "insured", or because of "bodily injury" to an employee under 16 years of age and illegally employed at the time of injury;

b. To liability for "bodily injury" arising out of "business" pursuits of an "insured".

c. Under Coverage II:

   1. To liability assumed by the "insured" under any contract or agreement.

   2. To "bodily injury" by disease unless a written claim is made or suit brought against the "insured" within 36 months after the end of the policy period.

   3. To any obligation under a workers' compensation, unemployment or disability benefits law or any similar law.

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HOMEOWNER AMENDATORY ENDORSEMENT

THIS ENDORSEMENT CHANGES YOUR POLICY - PLEASE READ IT CAREFULLY

THIS ENDORSEMENT SUPERSEDES ALL OTHER ENDORSEMENTS WHICH HAVE BEEN MADE PART OF YOUR POLICY AND REFERENCE THESE SAME PROVISIONS

DEFINITIONS

The introductory paragraph of **Definitions** is amended to read:

In this policy, "you" and "your" refer to the "named insured" shown in the Declarations and

(1) the spouse of the "named insured" shown on the Declarations, if a resident of the same household; or

(2) the partner in a civil union, registered domestic partnership, or similar union or partnership, with the "named insured" shown on the Declarations, if a resident of the same household.

Section (2), above, only applies if the civil union, registered domestic partnership or other similar union or partnership is validly entered into under the law of any state, territory or possession of the United States of America, any territory or province of Canada, or the equivalent of a state or province in any other country.

"We," "us" and "our" refer to the Company providing this insurance. In addition, certain words and phrases are defined as follows:

SECTIONS I AND II - CONDITIONS

The introductory paragraph of **9. Death.** is amended to read:

If any person named in the Declarations or the spouse, if a resident of the same household; or the partner in a civil union, registered domestic partnership or similar union or partnership, if a resident of the same household, dies:

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SPECIAL PROVISIONS - CALIFORNIA

SECTION I - CONDITIONS

3. **Loss Settlement.** Paragraph **b.(1)(b)** is deleted and replaced by the following:

   b.(1)(b) The replacement cost of that part of the building damaged using like construction and intended for the same use;

Item **6. Appraisal,** is deleted and replaced by the following:

6. **Appraisal,** If you and we fail to agree on the amount of loss, either may make a written request for an appraisal. However, both parties must agree to the appraisal. In this event, each party will choose a competent appraiser within 20 days after receiving a written request from the other. Where the request is accepted, the two appraisers will select an umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the state where the "residence premises" is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss.

   Each party will:

   a. Pay its own appraiser; and

   b. Bear the other expenses of the appraisal and umpire.

Item **10. Loss Payment,** is deleted and replaced by the following:

10. **Loss Payment.** We will adjust all losses with you. We will pay you unless some other person is named in the policy or is legally entitled to receive payment. Loss will be payable 30 days after we receive your proof of loss and:

    a. Reach an agreement with you;

    b. There is an entry of a final judgment; or

    c. There is a filing of an appraisal award with us.

SECTIONS I AND II - CONDITIONS

5. **Cancellation.** Paragraphs **b.(2)**, **b.(3)**, **b.(4)** and **d.** are deleted and replaced by the following:

   b.(2) When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason, except as provided below, by letting you know at least 20 days before the date cancellation takes effect.

   We may not cancel this policy:

   (a) Solely because you accepted our offer of earthquake coverage;

   (b) Solely because corrosive soil conditions exist on the "residence premises". This provision ((b)) applies only if this policy includes one or more of the following, which exclude loss caused by corrosive soil conditions:

   (i) Homeowners 3 Special Form;

   (ii) Unit-Owners Coverage A Endorsement; or

   (iii) Unit-Owners Coverage C Endorsement.

   (3) When this policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel if there has been:

   (a) Conviction of a crime having as one of its necessary elements an act increasing the hazard insured against; or

   (b) Discovery of fraud or material misrepresentation; or

   (c) Discovery of grossly negligent acts or omissions substantially increasing any of the hazards insured against; or

   (d) Physical changes in the property insured against which result in the property becoming uninsurable.

   However, we may not cancel this policy solely because corrosive soil conditions exist on the "residence premises" if this policy includes one or more of the following, which exclude loss caused by corrosive soil conditions:

   (i) Homeowners 3 Special Form;

   (ii) Unit-Owners Coverage A Endorsement; or

   (iii) Unit-Owners Coverage C Endorsement.

   This can be done by notifying you at least 30 days before the date cancellation takes effect.

   (4) When this policy is written for a period longer than one year, we may cancel for any reason at anniversary by notifying you at least 45 days before the date cancellation takes effect.

   d. If, when we cancel this policy, the return premium is not refunded with the notice of cancellation, we will refund it within 25 days after the date cancellation takes effect. If, when you cancel this policy, the return premium is not refunded when this policy is returned to us, we will refund it within a reasonable time after the date cancellation takes effect.

6. **Nonrenewal** is deleted and replaced by the following:

6. **Nonrenewal.**

   a. We may elect not to renew this policy, subject to the provisions of b. below. We may do so by delivering to you at Your mailing address shown in the Declarations, written notice at least 45 days before the expiration date of this policy. Proof of mailing will be sufficient proof of notice.

   b We will not refuse to renew this policy:

   (1) Solely because you accepted our offer of earthquake coverage; or

   (2) Solely because corrosive soil conditions exist on the "residence premises". This provision ((2)) applies only if this policy includes one or more of the following, which exclude loss caused by corrosive soil conditions:

   (a) Homeowners 3 Special Form;

   (b) Unit-Owners Coverage A Endorsement; or

   (c) Unit-Owners Coverage C Endorsement.

   c. If this policy is written for a period of less than one year, we agree not to refuse to renew except at the end of an annual period commencing with the original or renewal effective date.

All other provisions of this policy apply.

NO SECTION II - LIABILITY COVERAGES FOR HOME DAY CARE BUSINESS LIMITED SECTION I - PROPERTY COVERAGES FOR HOME DAY CARE BUSINESS

If an "insured" regularly provides home day care services to a person or persons other than "insureds" and receives monetary or other compensation for such services, that enterprise is a "business." Mutual exchange of home day care services, however, is not considered compensation. The rendering of home day care services by an "insured" to a relative of an "insured" is not considered a "business."

Therefore, with respect to a home day care enterprise which is considered to be a "business," this policy:

1. Does not provide Section II - Liability Coverages because a "business" of an "insured" is excluded under exclusion **1.b.** of Section II - Exclusions;
2. Does not provide Section I - Coverage B coverage where other structures are used in whole or in part for "business";
3. Limits coverage for property used on the "residence premises" for the home day care enterprise to $2,500, because Coverage C - Special Limits of Liability - item **8.** imposes that limit on "business" property on the "residence premises." (Item **8.** corresponds to item **5.** in Form **HO 00 08.**);
4. Limits coverage for property used away from the "residence premises" for the home day care enterprise to $250, because Coverage C - Special Limits of Liability - item **9.** imposes that limit on "business" property away from the "residence premises." Special Limit of Liability item **9.** does not apply to adaptable electronic apparatus as described in Special Limit of Liability items **10.** and **11.** (Items **9.**, **10.** and **11.** correspond to items **6.**, **7.** and **8.** respectively in Form **HO 00 08.**)

THIS ENDORSEMENT DOES NOT CONSTITUTE A REDUCTION OF COVERAGE.

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Liberty Mutual.

LEAD POISONING EXCLUSION ENDORSEMENT

The following provisions are added to and made part of your Homeowners Policy:

Section I - Property Coverages do not apply to any costs or expenses incurred or loss arising out of:

1. the removal, testing for, monitoring, clean-up, abatement, treatment, or neutralization of lead; paint, putty or plaster containing lead; soil or earth containing lead; or any other substance or material containing lead, or;
2. any governmental direction or other request that you test for, monitor, clean-up, remove, abate, contain, treat or neutralize lead; paint, putty or plaster containing lead; soil or earth containing lead; or any other substance or material containing lead.

Coverage E - Personal Liability and Coverage F - Medical Payments to Others do not apply to bodily injury or property damage:

1. arising out of lead paint, plaster or putty containing lead; soil or earth containing lead or any other material or substance containing lead, or:
2. any costs or expenses incurred or loss arising out of any claim, governmental direction, or request that you test for, monitor, clean-up, remove, abate, contain, treat or neutralize lead; paint, putty or plaster containing lead; soil or earth containing lead; or any other substance or material containing lead.

This exclusion applies to any obligation to share damages, costs or expenses with someone else or to repay someone else who must pay damages, costs or expenses.

HO 04 16 04 91

PREMISES ALARM OR FIRE PROTECTION SYSTEM

For a premium credit, we acknowledge the installation of an alarm system or automatic sprinkler system approved by us on the "residence premises." You agree to maintain this system in working order and to let us know promptly of any change made to the system or if it is removed.

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

CREDIT CARD, FUND TRANSFER CARD, FORGERY AND COUNTERFEIT MONEY COVERAGE

Increased Limit

For an additional premium, the limit of liability for Additional Coverage 6., Credit Card, Fund Transfer Card, Forgery and Counterfeit Money, is increased to $ ___________*.

*Entries may be left blank if shown elsewhere in this policy for this coverage.

All other provisions of this policy apply.

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Legal Tabs Co. 1-800-322-3022 Recycled Stock # R-EX-10-B

Exhibit 2

DALE A. AMATO, ESQ. (SBN 137965)
BERGER KAHN
A Law Corporation
10085 Carroll Canyon Road, Suite 210
San Diego, CA 92131-1027
Tel: (858) 547-0075 • Fax: (858) 547-0175

Attorneys for Defendant LIBERTY MUTUAL FIRE INSURANCE COMPANY

FILED
EAST COUNTY DIVISION
08 APR 15 PM 3:49
CLERK-SUPERIOR COURT
SAN DIEGO COUNTY, CA

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF SAN DIEGO

ASIA AWAD,

Plaintiff,

v.

LIBERTY MUTUAL FIRE INSURANCE COMPANY, RAAD KHALAF and DOES 1 – 30, inclusive,

Defendants.

CASE NO. 37-2008-00062594-CU-IC-EC

LIBERTY MUTUAL FIRE INSURANCE COMPANY'S ANSWER TO COMPLAINT

Judge: Hon. Laura W. Halgren
Dept: E-15

Complaint Filed: 3/12/08

TO ALL PARTIES AND TO THEIR ATTORNEYS OF RECORD HEREIN:

Defendant Liberty Mutual Fire Insurance Company (hereafter "LMFIC") hereby sets forth its Answer to Plaintiff's Complaint as follows:

GENERAL DENIAL

1. Pursuant to the provisions of California Code of Civil Procedure section 431.30(d), LMFIC denies generally and specifically, each and every allegation contained in Plaintiff's Complaint. LMFIC also specifically denies that Plaintiff's alleged damages were, or will be, sustained in the amount alleged, or in any other amount.

EXHIBIT 2

BERGER KAHN
A Law Corporation
10085 Carroll Canyon Road, Suite 210
San Diego, CA 92131-1027

BERGER KAHN
A Law Corporation
10085 Carroll Canyon Road, Suite 210
San Diego, CA 92131-1027

AFFIRMATIVE DEFENSES

FIRST AFFIRMATIVE DEFENSE

2. The Complaint as a whole, and each claim for relief contained therein, fails to state facts sufficient to constitute a claim for which relief can be granted.

SECOND AFFIRMATIVE DEFENSE

3. To the extent that LMFIC issued an insurance policy that provides coverage to Plaintiff, LMFIC is informed and believes and thereon alleges that the Plaintiff failed to comply with conditions precedent to recovery under the policy and thus, is barred from recovery for the claims asserted in Plaintiff's Complaint.

THIRD AFFIRMATIVE DEFENSE

4. To the extent that LMFIC issued an insurance policy that provides coverage to the Plaintiff, LMFIC is informed and believes and thereon alleges that the Plaintiffs failed to comply with conditions subsequent to recovery under the policy and thus, is barred from recovery for the claims asserted in Plaintiff's Complaint.

FOURTH AFFIRMATIVE DEFENSE

5. Plaintiff's alleged damages were caused, in whole or in part, by Plaintiff's own lack of care or negligence, and accordingly, LMFIC is informed and believes and thereon alleges that the Plaintiff's claims are barred to the extent of that negligence.

FIFTH AFFIRMATIVE DEFENSE

6. LMFIC is informed and believes and thereon alleges that the Plaintiff's alleged damages and injuries were proximately contributed to and/or caused by the acts, conduct, or omissions of third parties, other than LMFIC, which precludes or diminishes Plaintiff's recovery from LMFIC in the present lawsuit.

SIXTH AFFIRMATIVE DEFENSE

7. LMFIC is informed and believes and thereon alleges that the any obligation LMFIC is claimed to have had under the alleged insurance policy was excused by Plaintiff's breach, violation or non-performance of Plaintiff's obligations under said policy.

BERGER KAHN
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10085 Carroll Canyon Road, Suite 210
San Diego, CA 92131-1027

SEVENTH AFFIRMATIVE DEFENSE

8. Plaintiff's Complaint, and each claim therein, is barred by the applicable Statute of Limitations, including, but not limited to, California Code of Civil Procedure sections 338, 339 and 340, or the applicable contractual period of limitations set forth in the policy of insurance.

EIGHTH AFFIRMATIVE DEFENSE

9. LMFIC is informed and believes and thereon alleges that the Plaintiff has violated policy conditions, failed to perform all policy obligations, and failed to satisfy all policy conditions under the policy allegedly issued by LMFIC, all to LMFIC's prejudice. Accordingly, Plaintiff's action is barred, in whole or in part.

NINTH AFFIRMATIVE DEFENSE

10. The policy issued by LMFIC contains various terms, conditions, limitations, exclusions, or other language which act to limit or otherwise bar Plaintiff's claims, in whole or in part.

TENTH AFFIRMATIVE DEFENSE

11. The policy issued by LMFIC applies, if at all, only to injuries and damages that occurred during the policy period. To the extent that Plaintiff seeks to recover for damages that did not occur during the policy period, Plaintiff's claims are barred.

ELEVENTH AFFIRMATIVE DEFENSE

12. Plaintiff's Complaint, to the extent that it seeks exemplary or punitive damages, violates LMFIC's right to due process under the Fourteenth Amendment of the United States Constitution and the Constitution of the State of California, and therefore fails to state a cause of action upon which either punitive or exemplary damages can be awarded.

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BERGER KAHN
A Law Corporation
10085 Carroll Canyon Road, Suite 210
San Diego, CA 92131-1027

TWELFTH AFFIRMATIVE DEFENSE

13. LMFIC is informed and believes and thereon alleges that the Plaintiff has failed to mitigate its damages and, to the extent such alleged damages could have been reduced or avoided by reasonable conduct on the part of the Plaintiff, those damages are not recoverable from LMFIC.

THIRTEENTH AFFIRMATIVE DEFENSE

14. LMFIC is informed and believes and thereon alleges that the Plaintiff has failed to cooperate with LMFIC as is required under the alleged insurance policy.

FOURTEENTH AFFIRMATIVE DEFENSE

15. LMFIC is informed and believes and thereon alleges that the Plaintiff has waived and/or is estopped from asserting each and every claim in the Plaintiff's Complaint.

FIFTEENTH AFFIRMATIVE DEFENSE

16. LMFIC has fully performed all obligations owed to plaintiff under the policy of insurance issued by LMFIC.

SIXTEENTH AFFIRMATIVE DEFENSE

17. LMFIC is not liable to the Plaintiff on causes of action for breach of the covenant of good faith and fair dealing because there at all times existed a genuine dispute between LMFIC and Plaintiff as to the existence of coverage under the policy for the underlying action.

SEVENTEENTH AFFIRMATIVE DEFENSE

18. LMFIC is not liable to Plaintiff on the causes of action for breach of the implied covenant of good faith and fair dealing because at no time did LMFIC withhold policy benefits from Plaintiff unreasonably or without proper cause.

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BERGER KAHN
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10085 Carroll Canyon Road, Suite 210
San Diego, CA 92131-1027

EIGHTEENTH AFFIRMATIVE DEFENSE

19. The policy expressly contains the following language which may limit plaintiff's recovery:

SECTIONS I AND II-CONDITIONS

* * *

2. **Concealment or Fraud**. The entire policy will be void if, whether before or after a loss, an "insured" has:

   a. Intentionally concealed or misrepresented any material fact of circumstance;

   b. Engaged in fraudulent conduct; or

   c. Made false statements;

   relating to this insurance.

NINETEENTH AFFIRMATIVE DEFENSE

20. The policy expressly contains the following language, which may limit plaintiff's recovery:

SECTIONS I-CONDITIONS

* * *

8. **Suit Against Us**. No action can be brought unless the policy provisions have been complied with and the action is started within one year after the date of the loss.

TWENTIETH AFFIRMATIVE DEFENSE

21. LMFIC is informed and believes and thereon alleges that it may have other separate and additional defenses of which it is presently unaware. LMFIC reserves the right to rely upon other defenses as they become available or become apparent during discovery proceedings in this case and hereby reserves its right to amend this Answer to assert other defenses.

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WHEREFORE, Defendant LMFIC prays for judgment as follows:

1. That Plaintiffs take nothing by way of Plaintiff's Complaint;
2. For costs incurred in defending this action; and
3. For such other and further relief as the Court may deem just and proper.

DATED: April 15, 2008

BERGER KAHN
A Law Corporation

By: [signature]
DALE A. AMATO
Attorneys for LIBERTY MUTUAL FIRE INSURANCE COMPANY

BERGER KAHN
A Law Corporation
10085 Carroll Canyon Road, Suite 210
San Diego, CA 92131-1027

Asia Awad v. Liberty Mutual Fire Insurance Company, RAAD Khalaf
37-2008-00062594-CU-IC-EC

CERTIFICATE OF PROOF OF SERVICE

I am employed in the County of San Diego, State of California. I am over the age of 18 and not a party to the within action. My business address is: Berger Kahn, 10085 Carroll Canyon Road, Suite 210, San Diego, California 92131.

On April 15, 2008, I served the foregoing documents described as:

LIBERTY MUTUAL FIRE INSURANCE COMPANY'S ANSWER TO COMPLAINT

on the interested parties in this action:

Harris I. Steinberg, Esq.
LEVINE, STEINBERG, MILLER &HUVER
550 West C Street, Suite 1810
San Diego, CA 92101
Tel: 619-231-9449
Fax: 619-231-8638
Counsel for Asia Awad

☒ **BY MAIL**(C.C.P. § 1013(a))–I deposited such envelope(s) for processing in the mail room in our offices. I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. It is deposited with the U.S. Postal Service on that same day with postage thereon fully prepaid at San Diego, California, in the ordinary course of business. I am aware that on motion of a party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after the date of deposit for mailing in affidavit.

☒ (State) I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on April 15 2008, at San Diego, California.

TINA LEMAY

BERGER KAHN
A Law Corporation
10085 Carroll Canyon Road, Suite 210
San Diego, CA 92131-1027

UNITED STATES
DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA
SAN DIEGO DIVISION

# 149830 - MS
*** * C O P Y * ***
April 16, 2008
15:43:59

Civ Fil Non-Pris
USAO #.: 08CV0696-JM
Judge..: JEFFREY T MILLER
Amount.: $350.00 CK
Check#.: BC7740

Total-> $350.00

FROM: ASIA AWAD

JS 44 (Rev. 12/07)

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

FILED

08 APR 16 PM 3:47

CLERK, U.S. DISTRICT COURT SOUTHERN DISTRICT OF CALIFORNIA

BY ... DEPUTY

I. (a) PLAINTIFFS

Asia Awad

(b) County of Residence of First Listed Plaintiff: San Diego, CA
(EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorney's (Firm Name, Address, and Telephone Number)

Harris Steinberg, Esq., LEVINE, STEINBERG, MILLER & HUVER
550 W. "C" St., Ste. 1810, San Diego, CA 92101 (619)231-9449

DEFENDANTS

Liberty Mutual Fire Insurance Company

County of Residence of First Listed Defendant: Boston, MA
(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE LAND INVOLVED.

'08 CV 0696 JM AJB

Attorneys (If Known)

Dale A. Amato, Esq., BERGER KAHN (858)547-0075
10085 Carroll Canyon Rd., Ste. 210, San Diego, CA 92131

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- ☐ 1 U.S. Government Plaintiff
- ☐ 3 Federal Question (U.S. Government Not a Party)
- ☐ 2 U.S. Government Defendant
- ☒ 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

(For Diversity Cases Only)

	PTF	DEF		PTF	DEF
Citizen of This State	☒ 1	☐ 1	Incorporated *or* Principal Place of Business In This State	☐ 4	☐ 4
Citizen of Another State	☐ 2	☒ 2	Incorporated *and* Principal Place of Business In Another State	☐ 5	☐ 5
Citizen or Subject of a Foreign Country	☐ 3	☐ 3	Foreign Nation	☐ 6	☐ 6

IV. NATURE OF SUIT (Place an "X" in One Box Only)

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- ☐ 862 Black Lung (923)
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- ☐ 470 Racketeer Influenced and Corrupt Organizations
- ☐ 480 Consumer Credit
- ☐ 490 Cable/Sat TV
- ☐ 810 Selective Service
- ☐ 850 Securities/Commodities/ Exchange
- ☐ 875 Customer Challenge 12 USC 3410
- ☐ 890 Other Statutory Actions
- ☐ 891 Agricultural Acts
- ☐ 892 Economic Stabilization Act
- ☐ 893 Environmental Matters
- ☐ 894 Energy Allocation Act
- ☐ 895 Freedom of Information Act
- ☐ 900Appeal of Fee Determination Under Equal Access to Justice
- ☐ 950 Constitutionality of State Statutes

V. ORIGIN (Place an "X" in One Box Only)

- ☐ 1 Original Proceeding
- ☒ 2 Removed from State Court
- ☐ 3 Remanded from Appellate Court
- ☐ 4 Reinstated or Reopened
- ☐ 5 Transferred from another district (specify)
- ☐ 6 Multidistrict Litigation
- ☐ 7 Appeal to District Judge from Magistrate Judgment

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (**Do not cite jurisdictional statutes unless diversity**): 28 USC 1441(b)

Brief description of cause: Breach of Contract/Bad Faith

VII. REQUESTED IN COMPLAINT:

☐ CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23

DEMAND $ 159,300.00

CHECK YES only if demanded in complaint:
JURY DEMAND: ☑ Yes ☐ No

VIII. RELATED CASE(S) IF ANY

(See instructions): JUDGE ______ DOCKET NUMBER ______

DATE: 04/16/2008

SIGNATURE OF ATTORNEY OF RECORD: Dale A. Amato, Esq. [signature]

FOR OFFICE USE ONLY

RECEIPT # 149830 AMOUNT $350 APPLYING IFP ______ JUDGE ______ MAG. JUDGE ______

MS 4/16

CR